

OUTTSHOORN

MUNICIPALITY



UNAUDITED FINANCIAL STATEMENTS

30 JUNE 2016

**OUTDSHOORN**

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****Index**

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GENERAL INFORMATION

NATURE OF BUSINESS

Oudtshoorn Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality WC045 (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

CATEGORY OF MUNICIPALITY

Grade 3

JURISDICTION

The Oudtshoorn Municipality includes the following areas:
Oudtshoorn, Dysseisdorp, De Rust, Volmoed, De Hoop

MEMBERS OF THE MAYORAL COMMITTEE

Administrator	K Chetty (28-09-2015 to 30-06-2016)
Executive Mayor	G April (01-07-2015 to 16-07-2015 and 18-09-2015 to 27-09-2015)
	VI van der Westhuizen (17-07-2015 to 17-09-2015)
Deputy Executive Mayor	VM Donson (01-07-2015 to 16-07-2015 and 18-09-2015 to 27-09-2015)
	JNH Stoffels (17-07-2015 to 17-09-2015)
Executive Councillor	N Gunguluza (01-07-2015 to 16-07-2015)
	L Stalmeester (01-07-2015 to 16-07-2015)
	ZG Phillips (01-07-2015 to 16-07-2015)
	EN Ngalo (01-07-2015 to 16-07-2015)
	CJ Wagenaar (01-07-2015 to 16-07-2015)
	J Le Roux Krowitz (17-07-2015 to 17-09-2015)
	RR Wildschut (17-07-2015 to 17-09-2015)
	DJ Fourie (17-07-2015 to 17-09-2015)
	B Van Wyk (17-07-2015 to 17-09-2015)
	J Harmse (17-07-2015 to 17-09-2015)
	All vacant (18-09-2015 to 27-09-2015)
Speaker	JNH Stoffels (01-07-2015)
	CD MacPherson (02-07-2015 to 27-09-2015)

At the date of reporting the mayoral committee has not been elected as the municipality was under administration.

MUNICIPAL MANAGER

AA Paulse (Acting)

CHIEF FINANCIAL OFFICER

FM Lötter (Acting)

REGISTERED OFFICE

PO Box 255
Oudtshoorn
6625

AUDITORS

Office of the Auditor General
Private Bag X1
CHEMPET
7442

PRINCIPLE BANKERS

ABSA BANK

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)	Electricity Act (Act no 41 of 1987)
Division of Revenue Act	Skills Development Levies Act (Act no 9 of 1999)
The Income Tax Act	Employment Equity Act (Act no 55 of 1998)
Value Added Tax Act	Unemployment Insurance Act (Act no 30 of 1966)
Municipal Structures Act (Act no 117 of 1998)	Basic Conditions of Employment Act (Act no 75 of 1997)
Municipal Systems Act (Act no 32 of 2000)	Supply Chain Management Regulations, 2005
Municipal Planning and Performance Management Regulations	Collective Agreements
Water Services Act (Act no 108 of 1997)	Infrastructure Grants
Housing Act (Act no 107 of 1997)	SALBC Leave Regulations
Municipal Property Rates Act (Act no 6 of 2004)	



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

MEMBERS OF THE OUTDSHOORN MUNICIPALITY

Ward		Councillor
1	Welbedacht, Lategansvlei, De Hoop, Nooitgedacht, Matjierivier	Le Roux Krowitz, J Cllr
2	Oudtshoorn, Schoemanshoek, Buffelsdrift, Blommetjieskloof	Kersop, G Cllr
3	Bridgton	De Jager, DN Aldl
4	Bridgton, Bongoletu	Gunguluza, N Cllr
5	Bridgton	Biljohn, S Cllr
6	Toekomsrus, Bridgton	Vacant
7	Bridgton	Wagenaar, LPO Cllr
8	Toekomsrus, Bongoletu	Ngalo, EN Cllr
9	Dysselsdorp	Vacant
10	Dysselsdorp	Stalmeester, L Cllr
11	De Rust, Rural Areas	Wildschut, RR Cllr
12	Oudtshoorn, Bridgton, Volmoed, Wynandsrivier	Fourie, DJ Cllr
13	Bridgton	Luiters, P Cllr
Proportional		<p>Ayford, J Cllr</p> <p>Donson, VM Cllr</p> <p>Fortuin, E Cllr</p> <p>MacPherson, CD Aldm</p> <p>Magxaka, F Cllr</p> <p>Pannas, BA Cllr</p> <p>Phillips, ZG Cllr</p> <p>Titus, M Cllr</p> <p>Van der Westhuizen, VI Aldm</p> <p>Van Wyk, B Cllr</p> <p>Wagenaar, CJ Aldm</p> <p>Wagenaar, M Cllr</p>

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 JUNE 2016, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year ended at 30 JUNE 2016 and is satisfied that the Municipality can continue in operational existence as a going concern for the foreseeable future.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A.A. PAULSE
ACTING MUNICIPAL MANAGER

Date: 31 August 2016

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Notes	2016 R	2015 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		441,472,999	463,598,235
Accumulated Surplus/(Deficit)		441,472,999	463,598,235
Non-Current Liabilities		198,993,356	194,550,520
Long-term Liabilities	2	59,791,246	69,332,326
Employee benefits	3	97,418,710	85,475,217
Provisions	4	41,783,400	39,742,977
Current Liabilities		184,211,668	164,492,451
Consumer Deposits	5	7,127,876	6,612,217
Employee benefits	6	17,473,296	17,411,772
Provisions	7	5,912,813	5,643,549
Payables from exchange transactions	8	119,894,687	56,830,276
Unspent Conditional Government Grants and Receipts	9	15,628,411	5,907,010
Taxes	11	5,292,535	7,535,523
Cash and Cash Equivalents	22	-	48,024,578
Current Portion of Long-term Liabilities	2	12,882,050	16,527,526
Total Net Assets and Liabilities		824,678,023	822,641,206
ASSETS			
Non-Current Assets		756,862,811	740,624,485
Property, Plant and Equipment	12	660,749,069	643,550,091
Investment Property	16	76,619,206	76,938,001
Intangible Assets	17	283,209	422,338
Heritage Assets	14	15,197,645	15,197,645
Capitalized Restoration Cost	15	4,013,681	4,516,410
Current Assets		67,815,212	82,016,721
Inventory	18	1,413,177	1,679,365
Assets held for sale	13	260,897	260,897
Receivables from exchange transactions	19	30,157,462	60,556,686
Receivables from non-exchange transactions	20	11,207,066	14,848,711
Unpaid Conditional Government Grants and Receipts	9	4,980,558	4,105,182
Operating Lease Asset	21	31,852	61,292
Cash and Cash Equivalents	22	19,764,200	504,588
Total Assets		824,678,023	822,641,206

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 (Actual) R	2015 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		182,183,574	222,099,146
Taxation Revenue		62,589,460	57,595,130
Property taxes	23	62,589,460	57,595,130
Transfer Revenue		107,428,912	124,699,279
Government Grants and Subsidies- Capital	24	39,371,448	38,273,726
Government Grants and Subsidies-Operating	24	67,801,503	86,347,921
Public Contributions and Donations	10	-	77,632
Contributed/ Donated PPE	25	255,962	-
Other Revenue		12,165,202	39,804,737
Fines		11,873,900	7,229,480
Gain on disposal of Investment Property		14,200	-
Actuarial Gains	3	277,102	2,336,592
Reversal of provision for finance charges	33	-	30,238,665
Revenue from Exchange Transactions		305,489,175	283,144,766
Service Charges	26	269,393,217	250,227,660
Admission Fees		11,864,131	11,522,983
Rental of Facilities and Equipment		2,277,866	2,368,054
Interest Earned - external investments		1,018,255	664,566
Interest Earned - outstanding debtors		9,546,919	8,750,950
Agency Services		2,199,629	3,161,427
Other Income	27	9,189,158	6,449,126
Total Revenue		487,672,749	505,243,912
EXPENDITURE			
Employee related costs	28	185,089,501	177,636,491
Remuneration of Councillors	29	6,742,224	8,782,859
Debt Impairment	30	50,945,476	11,624,086
Depreciation and Amortisation	31	19,265,369	19,359,739
Impairments	32	-	2,145,298
Assets written-off	12	1,104,480	21,787
Loss on disposal of assets	12	88,394	-
Repairs and Maintenance		11,662,412	38,085,993
Actuarial losses	3	2,927,535	666,091
Finance Charges	33	16,980,370	11,791,172
Bulk Purchases	34	146,023,884	122,065,407
Contracted services	35	24,895,601	31,894,808
Stock Adjustments		(4,734)	41,741
General Expenses	36	44,077,472	99,746,654
Total Expenditure		509,797,985	523,862,126
NET SURPLUS/(DEFICIT) FOR THE YEAR		(22,125,236)	(18,618,214)



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 30 JUNE 2014	472,986,398	472,986,398
Correction of error (refer note 37.2)	9,230,051	9,230,051
Restated Balance at 30 JUNE 2014	482,216,449	482,216,449
Net Deficit for the year	(18,618,214)	(18,618,214)
Restated Balance at 30 JUNE 2015	463,598,235	463,598,235
Net Deficit for the year	(22,125,236)	(22,125,236)
Balance at 30 JUNE 2016	441,472,999	441,472,999

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**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****STATEMENT OF CASH FLOW THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		359,341,747	348,900,275
Government - operating		67,801,503	86,347,921
Government - capital		39,371,448	38,273,726
Interest		10,565,173	9,415,516
Payments			
Suppliers and employees		(343,550,444)	(485,028,137)
Finance charges	33	(16,980,370)	(11,791,172)
Cash generated by operations	38	116,549,057	(13,881,871)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(36,711,567)	(35,894,626)
Additions to Capitalised Restoration Cost		-	(4,524,564)
Movement in Capitalised Restoration Cost - Change in estimate		-	8,789,312
Disposal of Property, Plant and Equipment		117,594	-
Purchase of Intangible Assets		-	(174,995)
Net Cash from Investing Activities		(36,593,973)	(31,804,873)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(13,186,553)	(11,085,427)
New leases raised		-	156,754
Increase in Consumer Deposits		515,659	538,315
Movement in non-current provisions		-	(4,264,748)
Net Cash from Financing Activities		(12,670,894)	(14,655,106)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		67,284,190	(60,341,851)
Cash and Cash Equivalents at the beginning of the year		(47,519,990)	12,821,861
Cash and Cash Equivalents at the end of the year	39	19,764,200	(47,519,990)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		67,284,190	(60,341,851)



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF COMPARISON OF BUDGET INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

	Ref.	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
STATEMENT OF FINANCIAL POSITION						
Total current assets	C1	51,300,000	-	51,300,000	67,815,212	16,515,212
Total non- current assets	C2	688,154,000	-	688,154,000	756,862,811	68,708,811
Total current liabilities	C3	34,601,000	69,250,000	103,851,000	184,211,668	80,360,668
Total non- current liabilities	C4	252,350,000	-	252,350,000	198,993,356	(53,356,644)
Total Net Assets		452,503,000	-69,250,000	383,253,000	441,472,999	58,219,999

**STATEMENT OF FINANCIAL
PERFORMANCE**

Grap Reporting Framework

Revenue

Property taxes		66,620,843	(5,909,035)	60,711,808	62,589,460	1,877,652
Government Grants and Subsidies- Capital	C5	47,138,000	(1,930,000)	45,208,000	39,371,448	(5,836,552)
Government Grants and Subsidies- Operating		115,869,000	(45,148,474)	70,720,526	67,801,503	(2,919,023)
Contributed/ Donated PPE		-	-	-	255,962	255,962
Fines		1,900,000	8,641,336	10,541,336	11,873,900	1,332,564
Gain on disposal of Investment Property		2,487,000	(2,487,000)	-	14,200	14,200
Actuarial Gains		-	-	-	277,102	277,102
Service Charges	C6	298,243,842	(19,611,197)	278,632,645	269,393,217	(9,239,428)
Admission Fees		-	10,925,835	10,925,835	11,864,131	938,296
Rental of Facilities and Equipment		3,511,976	(1,221,764)	2,290,212	2,277,866	(12,346)
Interest Earned - external investments		708,439	(93,673)	614,766	1,018,255	403,489
Interest Earned - outstanding debtors		8,656,144	400,239	9,056,383	9,546,919	490,536
Agency Services		16,740,000	(13,728,853)	3,011,147	2,199,629	(811,519)
Other Income		8,467,049	(1,482,045)	6,985,004	9,189,158	2,204,154
Total Revenue		570,342,293	(71,644,631)	498,697,662	487,672,749	(11,024,913)

Expenditure

Employee related costs		161,155,785	26,776,985	187,932,771	185,089,501	(2,843,270)
Remuneration of Councillors		9,024,082	(3,766,127)	5,257,955	6,742,224	1,484,269
Debt Impairment	C7	5,500,000	23,586,583	29,086,583	50,945,476	21,858,893
Depreciation and Amortisation		20,716,494	1,091,812	21,808,306	19,265,369	(2,542,937)
Assets written-off		3,025,000	(3,025,000)	-	1,104,480	1,104,480
Loss on disposal of assets		-	-	-	88,394	88,394
Repairs and Maintenance		18,764,941	(6,867,940)	11,897,001	11,662,412	(234,589)
Actuarial losses		-	-	-	2,927,535	2,927,535
Finance Charges		7,771,083	8,230,494	16,001,577	16,980,370	978,793
Bulk Purchases	C8	138,994,294	15,600,000	154,594,294	146,023,884	(8,570,410)
Contracted services	C9	38,914,394	(8,652,299)	30,262,094	24,895,601	(5,366,493)
General Expenses	C10	112,706,364	(63,461,368)	49,244,997	44,077,472	(5,167,524)
Total Expenditure		516,572,438	(10,486,860)	506,085,577	509,802,719	3,717,141
Transfers recognised-operational						
Net Surplus for the year		53,769,855	(61,157,771)	(7,387,915)	(22,129,970)	(14,742,055)



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF COMPARISON OF BUDGET INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

	Ref.	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
National Treasury Reporting Framework						
Revenue						
Property rates		66,620,843	(5,909,035)	60,711,808	62,589,460	1,877,652
Service charges	C6	298,243,842	(19,611,197)	278,632,645	269,393,217	(9,239,428)
Investment revenue		9,364,583	306,566	9,671,149	10,565,173	894,024
Transfers recognised-operational		115,869,000	(45,148,474)	70,720,526	67,801,503	(2,919,023)
Other own revenue	C11	33,106,025	647,510	33,753,534	37,951,948	4,198,414
Total Revenue (excluding capital transfers)		523,204,293	(69,714,631)	453,489,662	448,301,301	(5,188,361)
Expenditure						
Employee cost		161,155,785	26,776,985	187,932,771	185,089,501	(2,843,270)
Remuneration of councillors		9,024,082	(3,766,127)	5,257,955	6,742,224	1,484,269
Depreciation & asset impairment		20,716,494	1,091,812	21,808,306	19,265,369	(2,542,937)
Finance charges		7,771,083	8,230,494	16,001,577	16,980,370	978,793
Other expenditure		317,904,993	(42,820,024)	275,084,969	281,725,255	6,640,287
Total Expenditure		516,572,438	(10,486,860)	504,200,000	509,802,719	3,717,141
Surplus		6,631,855	(57,342,193)	(50,710,338)	(61,501,418)	(10,791,080)
Transfers recognised-capital	C5	47,138,000	(1,930,000)	45,208,000	39,371,448	(5,836,552)
Surplus for the year		53,769,855	(59,272,193)	(5,502,338)	(22,129,970)	(16,627,632)
CASH FLOW STATEMENT						
Net Cash from Operating Activities	C12	60,348,115	(76,904,177)	(16,556,062)	116,549,057	133,105,119
Net Cash from Investing Activities	C13	(48,128,000)	2,953,960	(45,174,040)	(36,593,973)	8,580,067
Net Cash from Financing Activities		(10,895,000)	139,361	(10,755,639)	(12,670,894)	(1,915,255)
Net increase/(decrease) in cash and cash equivalents		1,325,115	(73,810,856)	(72,485,741)	67,284,190	139,769,931
OPERATING EXPENDITURE BY VOTE						
Budget & Treasury		27,003,877	6,613,765	33,617,642	28,219,484	(5,398,158)
Community & Social Services		27,971,513	(2,934,982)	25,036,531	20,138,215	(4,898,316)
Corporate Services		17,350,872	5,622,492	22,973,364	22,091,614	(881,749)
Electricity		197,754,346	(27,566,376)	170,187,970	161,325,710	(8,862,260)
Executive & Council		44,822,753	18,941,151	63,763,904	79,354,179	15,590,274
Housing		7,500,330	1,595,808	9,096,138	9,359,981	263,843
Other		5,056,611	12,295,079	17,351,690	13,119,129	(4,232,561)
Planning & Development		22,564,066	(5,495,868)	17,068,198	15,888,443	(1,179,755)
Public Safety		36,570,914	(6,067,588)	30,503,326	20,736,365	(9,766,961)
Road Transport		36,550,803	(7,676,643)	28,874,160	26,244,977	(2,629,183)
Sport & Recreation		19,600,626	(649,765)	18,950,862	13,308,069	(5,642,792)
Waste Management		19,946,611	4,060,747	24,007,359	31,610,680	7,603,321
Waste Water Management		17,086,642	606,830	17,693,472	21,549,446	3,855,974
Water		41,042,384	(3,853,873)	37,188,511	46,851,692	9,663,180
Total		520,822,350	(4,509,223)	516,313,127	509,797,985	(6,515,142)



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF COMPARISON OF BUDGET INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

	Ref.	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS BUDGET R
CAPITAL EXPENDITURE BY VOTE						
Vote 1 - Executive & Council		2,000,000	(1,247,553)	752,447	734,447	18,000
Vote 2 - Finance & Admin		790,000	(659,207)	130,793	264,448	(133,655)
Vote 6 - Sport & Recreation		4,000,000	71,640	4,071,640	3,589,692	481,948
Vote 8 - Waste Management		-	1,212,000	1,212,000	1,390,151	(178,151)
Vote 9 - Road Transport		28,138,000	(23,431,672)	4,706,328	3,515,738	1,190,590
Vote 10 - Waste Water Management	C14	-	13,440,406	13,440,406	8,962,990	4,477,416
Vote 11 - Water	C15	20,000,000	(8,772,759)	11,227,241	16,471,515	(5,244,274)
Vote 12 - Electricity	C16	6,000,000	3,633,185	9,633,185	3,172,736	6,460,449
		<u>60,928,000</u>	<u>(15,753,960)</u>	<u>45,174,040</u>	<u>38,101,717</u>	<u>7,072,323</u>

Refer to note 41 for explanations of material variances between the original budget and final budget.

Refer to note 41 for explanations of material variances between actual amounts and the final budget.

Material variances are considered as variances larger than R4.0 million

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the mentioned GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. This is as per the requirement of GRAP1.47. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is now effective, budget information required in terms of GRAP 24 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the guidelines issued by the ASB.

The budget and accounting bases differ. The financial statements differ from the budget, which is approved on the cash basis. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The entity thus prepared a separate Statement of Comparison of Budget and Actual Amounts. All detail relating to GRAP 24 has been disclosed in the notes to the Annual Financial Statements. Where needed, the entity have prepared a reconciliation of the actual amounts on a comparable basis to the actual amounts presented in the financial statements. Where applicable a reason has been supplied where variances between actual and budget information is considered material. A variance of R4mil is considered material.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

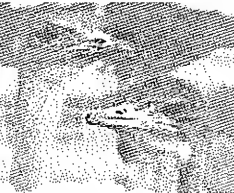
- **GRAP 18 Segment Reporting** - issued February 2011
- **GRAP 32 Service Concession Arrangement Grantor** - issued August 2013
- **GRAP 108 Statutory Receivables** - issued July 2015
- **IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset** – issued August 2013



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Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality as, either the information to a large extent is already included in the notes to the annual financial statements, or the Municipality does not participate in such business transactions

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- **GRAP 20 Related Party Disclosures** (Revised)

The following standard might have a potential material impact

- **GRAP 109 Accounting by Principals and Agents** - issued July 2015

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

If needed, in order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at an amount equal to the fair value of the leased asset or, if lower, the present value of the sum of the minimum lease payments due in terms of the lease agreement. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease assets.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease, and differences are recognised as operating lease liabilities.

1.9 GOVERNMENT GRANTS AND RECEIPTS

1.9.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.9.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11 PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12 EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee. Leave is non-vesting as per GRAP 25.14.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrued to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(e) *Pension and Retirement Fund Obligations*

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans. (see note 4.3 in the Financial Statements in this regard)

Short term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.



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When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:



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Infrastructure assets

Electricity

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Low Voltage	LV Overhead Line	50
Low Voltage	LV Underground Cable	50
Low Voltage Network	Consumer Connection Cable	50
Low Voltage Network	Consumer Connection Point	15-30
Low Voltage Network	High Mast Lighting	20
Low Voltage Network	Other Assets	15-30
Low Voltage Network	Pillar Box	40
Medium Voltage	Auto Recloser	45
Medium Voltage	Capacitor	31
Medium Voltage	Current Transformer	50
Medium Voltage	Distribution Transformer	50-61
Medium Voltage	Mini Substation	50
Medium Voltage	MV Overhead Line	10-52
Medium Voltage	MV Underground Cable	25-50
Medium Voltage	Ring Main Unit	45
Medium Voltage Substation	Auto Recloser	45
Medium Voltage Substation	Battery Tripping Unit	10.-21
Medium Voltage Substation	capacitor Bank	17

Medium Voltage Substation	Circuit Breaker	50
Medium Voltage Substation	Current Transformer	50
Medium Voltage Substation	Distribution Transformer	50-52
Medium Voltage Substation	Electrical Plant	30
Medium Voltage Substation	Metering Unit	45
Medium Voltage Substation	MV Switchgear	45
Medium Voltage Substation	Natural Earthing Resistor	50
Medium Voltage Substation	Other Assets	15-51
Medium Voltage Substation	Power Transformer	50
Medium Voltage Substation	Protection Panel	45
Medium Voltage Substation	Ring Main Unit	45-51
Medium Voltage Substation	Voltage Transformer	50



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Water

Borehole	Civil structure	52-100
Borehole	Electrical Plant	15
Borehole	Mechanical Plant	5.-12
Borehole	Other Assets	30
Bulk Water Pipeline	Civil structure	30-55
Bulk Water Pipeline	Electrical Plant	17
Bulk Water Pipeline	Mechanical Plant	15-40
Bulk Water Pipeline	Other Assets	15-115
Bulk Water Pipeline	Pipes	60-100
Consumer Connections	Electrical Plant	50
Consumer Connections	Mechanical Plant	50
Dam	Civil structure	50-115
Dam	Electrical Plant	17
Dam	Mechanical Plant	15-115
Dam	Other Assets	15
Pump Station	Civil structure	21-115
Pump Station	Electrical Plant	15-30
Pump Station	Mechanical Plant	15-40
Pump Station	Other Assets	21-50
Reservoir	Civil structure	21-115
Reservoir	Electrical Plant	15-45
Reservoir	Mechanical Plant	15-115
Reservoir	Other Assets	15-70
Water Pipeline	Pipes	50-100
Water Treatment Works	Civil structure	21-50
Water Treatment Works	Electrical Plant	5.-31
Water Treatment Works	Mechanical Plant	15-50
Water Treatment Works	Other Assets	15-50
Weir	Civil structure	50-80
Weir	Electrical Plant	15-70
Weir	Mechanical Plant	15-50
Weir	Other Assets	30-80



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Sanitation

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Bulk Sewer Pipeline	Pipes	100
Pump station	Civil structure	50
Pump station	Electrical Plant	15-31
Pump station	Mechanical Plant	15-31
Pump station	Other Assets	15-30
Sewage Treatment Works	Civil structure	20-100
Sewage Treatment Works	Electrical Plant	15-45
Sewage Treatment Works	Mechanical Plant	15-50
Sewage Treatment Works	Other Assets	15-50
Sewer Pipeline	Pipes	50-100

Road Transport

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Footpaths	Civil Structure	15-35
Parking Bays	Civil Structure	50-52
Road	Civil Structure	7-50
Road	Other Assets	10-50
Structure	Civil Structure	20-100
Taxi Rank	Civil Structure	50
Taxi Rank	Other Assets	15-50

Storm water

CLASS	ASSET TYPE	EXPECTED USEFUL LIFE
Channel	Civil Structure	5-52
Culvert	Civil Structure	50
Storm water Pipeline	Pipes	50-52



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Community Assets

CLASS	EXPECTED USEFUL LIFE
Buildings	100
Recreation Facilities	20-30
Security	5
Halls	100
Libraries	100
Parks and gardens	15-20
Other Assets	15-20

Other Assets

CLASS	EXPECTED USEFUL LIFE
Buildings	100
Bicycles	3-4
Office Equipment	4-9
Furniture and fittings	5-8
Motor vehicles	5-20
Emergency equipment	5
Computer equipment	5-9
Workshop equipment	5-15
Trucks	5-32

Finance lease assets

CLASS	EXPECTED USEFUL LIFE
Office Equipment	3-5
Other assets	5

Finance lease assets are depreciated over the shortest period of the useful life of the asset or the term of the finance lease agreement.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.4 *De-recognition*

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5 *Land and Buildings and Other Assets – Application of Deemed Cost (Directive 4)*

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.14 INTANGIBLE ASSETS

1.14.1 *Initial Recognition*

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- Arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licences	5
Storm Water Master Plan	20

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Application of deemed cost (Directive 4)

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

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1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Buildings are depreciated over 100 years.

1.15.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.4 Application of deemed cost - Directive 4

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.



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1.16. HERITAGE ASSETS

1.16.1 Initial Recognition

Heritage assets shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the heritage asset will flow to the entity, and
- the cost or fair value of the heritage asset can be measured reliably.

For the heritage asset to be recognised in accordance with the criteria above, it needs to be controlled by the entity as a result of past events. Even though the entity may be restricted from disposing of a heritage asset based on a stipulation imposed by, for example, a trust, statute or law, or from the transferor's stipulations, the heritage asset is still controlled by the entity when it is able to generate future economic benefits or service potential from the asset. Accordingly, the entity recognises the heritage asset when the recognition criteria is met.

Future economic benefits or service potential flowing from a heritage asset may include revenue, for example an entrance fee charged by a museum. The revenue generated by the entity under such circumstances is normally insignificant compared to the operating costs of the museum and will not result in accounting for the heritage asset as an investment property. The revenue generated is rather used towards the maintenance of the heritage asset. The heritage asset should, however, be accounted for in terms of this Standard as the heritage value attached to the specific asset constitutes its service potential.

If an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The cost of a heritage asset is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the Standard of GRAP on *Borrowing Costs*.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, Heritage assets are measured at cost less any accumulated impairment losses.

1.16.3 De-recognition

Heritage assets are derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.



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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using the following approach:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.18 NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.19 INVENTORIES

1.19.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business, unless they are to be distributed. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.20 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

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A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.21.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 Receivables

Receivables are classified as financial instruments at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1. 21.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1. 21.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1. 21.3 De-recognition of Financial Instruments

1. 21.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or



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- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1. 21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1. 21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

22 REVENUE

1.22.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.



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Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fines are recognised as revenue when the receivables meet the definition of an asset and satisfy the criteria for recognition as an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.



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1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3 *Grants, Transfers and Donations (Non-Exchange Revenue)*

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23 **BORROWING COST**

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.24 **RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

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(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.28 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values

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of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based



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on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Provision for Task Implementation and Back Pay

The provision at 30 June 2012 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2012 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.



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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.30 TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2

LONG-TERM LIABILITIES

	2016 R	2015 R
Annuity Loans - At amortised cost	72,473,696	84,951,742
Capitalised Lease Liability - At amortised cost	199,600	908,110
	72,673,296	85,859,852
Current Portion transferred to Current Liabilities	(12,882,050)	(16,527,526)
Annuity Loans - At amortised cost	(12,756,621)	(15,819,016)
Capitalised Lease Liability - At amortised cost	(125,429)	(708,510)
	59,791,246	69,332,326
Total Long-term Liabilities - At amortised cost using the effective interest rate method	59,791,246	69,332,326

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	22,650,946	28,604,920
Payable within two to five years	58,713,855	61,616,378
Payable after five years	22,371,008	36,161,021
	103,735,809	126,382,318
Less: Future finance obligations	(31,262,112)	(41,430,578)
Present value of annuity obligations	72,473,696	84,951,742

Annuity loans at amortised cost are calculated between 10.16% and 15.67% interest rate, with the first maturity date on 30 June 2016 and the last maturity date on 30 June 2027.

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	142,473	758,191
Payable within two to five years	77,740	220,212
Payable after five years	-	-
	220,212	978,404
Less: Future finance obligations	(20,612)	(70,294)
Present value of lease obligations	199,600	908,110

Leases are secured by property, plant and equipment - Note 12

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

General description of material lease arrangements:

<i>Motor vehicles</i>		75,454	679,774
Basis of contingent rent:	No contingent rent component.		
Renewal or purchases options:	All assets are returned to the lessee.		
Escalation:	Instalments are fixed.		
Restrictions:	None specified.		
Further leasing:	No further leasing		
<i>Printing equipment</i>		124,146	228,333
Basis of contingent rent:	No contingent rent component.		
Renewal or purchases options:	All assets are returned to the lessee.		
Escalation:	Instalments are fixed.		
Restrictions:	None specified.		
Further leasing:	Assets are leased at current contract rates until new contracts are concluded to acquire new replacement assets.		
		199,600	908,107

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3

EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 3.1

Long Service Awards - Refer to Note 3.2

Total Non-current Employee Benefit Liabilities

Post Retirement Benefits

Balance 1 July

Contribution for the year

Interest Cost

Current Service Cost

Actuarial Loss/(Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

Long Service Awards

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/(Gain)

Total long service 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial Loss/(Gain)

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 6

Balance 30 June

3.1

Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

In-service (employee) Non members

Continuation members (e.g. Retirees, widows, orphans)

Total Members

The liability in respect of past service has been estimated to be as follows:

In-service members

In-service non members

Continuation members

Total Liability

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
In-service members	43,625,757	28,342,463	25,762,026
Continuation members	31,090,044	30,646,717	28,821,332
Total Liability	74,715,801	58,989,180	54,583,358

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;

LA Health

Hosmed

Samwumed; and

Keyhealth.

Key actuarial assumptions used:

i) Rate of interest

Discount rate

Health Care Cost Inflation Rate

Net Effective Discount Rate

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2016 R	2015 R
Post Retirement Benefits - Refer to Note 3.1	90,220,678	78,604,108
Long Service Awards - Refer to Note 3.2	7,198,032	6,871,109
Total Non-current Employee Benefit Liabilities	97,418,710	85,475,217
<u>Post Retirement Benefits</u>		
Balance 1 July	80,881,564	74,715,801
Contribution for the year	(2,277,456)	(2,257,932)
Interest Cost	7,149,118	6,647,722
Current Service Cost	4,461,245	4,112,565
Actuarial Loss/(Gain)	2,927,535	(2,336,592)
Total post retirement benefits 30 June	93,142,006	80,881,564
Less: Transfer of Current Portion - Note 6	(2,921,328)	(2,277,456)
Balance 30 June	90,220,678	78,604,108
<u>Long Service Awards</u>		
Balance 1 July	7,660,798	6,671,127
Contribution for the year	(789,689)	(727,210)
Interest Cost	585,947	504,655
Expenditure for the year	656,322	546,135
Actuarial Loss/(Gain)	(277,102)	666,091
Total long service 30 June	7,836,276	7,660,798
Less: Transfer of Current Portion - Note 6	(638,244)	(789,689)
Balance 30 June	7,198,032	6,871,109
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	88,542,362	81,386,928
Contribution for the year	(3,067,145)	(2,985,142)
Interest cost	7,735,065	7,152,377
Expenditure for the year	5,117,567	4,658,700
Actuarial Loss/(Gain)	2,650,433	(1,670,501)
Total employee benefits 30 June	100,978,282	88,542,362
Less: Transfer of Current Portion - Note 6	(3,559,572)	(3,067,145)
Balance 30 June	97,418,710	85,475,217

	2014 R	2013 R	2012 R
In-service members	43,625,757	28,342,463	25,762,026
Continuation members	31,090,044	30,646,717	28,821,332
Total Liability	74,715,801	58,989,180	54,583,358

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	93,142,006	80,881,564
Net liability / (asset)	93,142,006	80,881,564
The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	78,436,172	72,270,409
Total expenses	9,332,907	8,502,355
Current service cost	(2,277,456)	(2,257,932)
Interest Cost	7,149,118	6,647,722
Benefits Paid	4,461,245	4,112,565
Actuarial (gains)/losses	2,927,535	(2,336,592)
Present value of fund obligation at the end of the year	90,696,614	78,436,172
Less: Transfer of Current Portion - Note 6	(2,921,328)	(2,277,456)
Balance 30 June	87,775,286	76,158,716

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	50,727	42,415	93,142

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	61,840	46,889	108,729	17%
Health care inflation	-1%	41,978	38,557	80,535	-14%
Discount Rate	1%	42,110	38,617	80,727	-13%
Discount Rate	-1%	61,856	46,897	108,753	17%
Post-retirement mortality	-1 year	52,434	44,117	96,551	4%
Average retirement age	-1 year	52,922	42,415	95,337	2%
Withdrawal Rate	-10%	43,065	42,415	85,480	-8%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

574	624
-----	-----

Key actuarial assumptions used.

l) Rate of interest

Discount rate	8.53%	8.06%
General Salary Inflation (long-term)	7.19%	7.10%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.89%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7,836,276	7,660,798
Net liability	7,836,276	7,660,798

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
Total Liability	6,671,127	6,157,395	5,379,837

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7,660,798	6,671,127
Total expenses	452,580	323,580
Benefits vested	(789,689)	(727,210)
Interest Cost	585,947	504,655
Current service cost	656,322	546,135
Actuarial (gains)/losses	(277,102)	666,091
Present value of fund obligation at the end of the year	7,836,276	7,660,798
Less: Transfer of Current Portion - Note 6	(638,244)	(789,689)
Balance 30 June	7,198,032	6,871,109

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
Sensitivity Analysis on the Unfunded Accrued Liability			
Assumption	Change	Liability	% change
Central assumptions		7.836	
General salary inflation	1%	8.341	6%
General salary inflation	-1%	7.377	-6%
Discount Rate	1%	7.351	-6%
Discount Rate	-1%	8.380	7%
Average retirement age	-2yrs	6.574	-16%
Average retirement age	+2yrs	9.082	16%
Withdrawal rates	-50%	9.257	18%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans. All requirements disclosed has been made as defined in GRAP 25.31

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

41,783,400 39,742,977

Total Non-current Provisions

41,783,400 39,742,977

Landfill Sites

Balance 1 July	45,386,526	79,889,940
Change in estimate	-	(8,789,312)
Additions	-	4,524,564
Contribution for the year	2,309,688	(30,238,665)
Total provision 30 June	47,696,214	45,386,526
Less: Transfer of Current Portion to Current Provisions - Note 7	(5,912,813)	(5,643,549)
Balance 30 June	41,783,400	39,742,977

The landfill sites consist of the following solid waste disposal sites with a remaining useful life of:

	No of Years	No of Years
Grootkop Landfill	39	40
Dysseidsdorp Landfill (Closing)	1	1
Dysseidsdorp Landfill (Opening)	9	10
De Rust Landfill (Closing)	1	1
De Rust Landfill (Opening)	9	10

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 6.55% (2015: 4.95%) , over the expected useful lives as indicated above.)

The estimation of the current liability to rehabilitate the landfill sites were performed by Ingerop South Africa. Ingerop South Africa are not connected to the municipality.

The current CPI rate is 6.3% (2015: 4.7%), it was estimated that no significant increase or decrease in the rate can be assumed in this calculation, however if fluctuations in the rate were incorporated into the calculation it is expected that the effect will be negligible.

5 CONSUMER DEPOSITS

Electricity	3,477,506	3,264,458
Water	3,650,370	3,347,759
Total Consumer Deposits	7,127,876	6,612,217
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	2,921,326	2,277,456
Current Portion of Long Service Provisions - Note 3	638,244	789,689
Staff Leave	9,456,658	8,993,421
Bonuses	3,872,919	4,194,144
TASK Evaluation	583,600	583,600
Accrued overtime and subsistence payments	548	573,463
Total Current Employee Benefits	17,473,296	17,411,772
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	8,993,421	7,672,967
Contribution to current portion	1,825,617	3,087,208
Expenditure incurred	(1,362,380)	(1,766,754)
Balance at end of year	9,456,658	8,993,421
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Bonuses</u>		
Balance at beginning of year	4,054,877	3,600,169
Contribution to current portion	7,108,324	7,348,001
Expenditure incurred	(7,349,738)	(6,893,293)
Balance at end of year	3,813,463	4,054,877
<u>Performance Bonuses</u>		
Balance at beginning of year	139,267	126,606
Contribution to current portion	(79,811)	12,661
Balance at end of year	59,456	139,267
<u>TASK Evaluation</u>		
Balance at beginning of year	583,600	583,600
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	583,600	583,600
The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive back pay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.		
7 CURRENT PORTION OF PROVISIONS		
Current Portion of Rehabilitation of Landfill sites - Note 4	5,912,813	5,643,549
Total Provisions	5,912,813	5,643,549
8 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade and other Payables	113,068,738	48,768,874
Previously reported	-	45,335,251
Prior Period error refer note 37	-	3,431,624
Pre-paid electricity	171,730	140,895
Payments received in advance	3,809,110	4,684,448
Retention fees	143,371	108,827
Pensioner deposits	167,572	213,570
Previously reported	-	-
Prior Period error refer note 37	-	213,570
Unallocated funds debtors	154,130	539,891
Previously reported	-	1,836,688
Prior Period error refer note 37	-	(1,296,797)
Advance Receipts	15,450	8,096
Previously reported	-	622,081
Prior Period error refer note 37	-	(613,985)
Sundry Deposits	2,364,580	2,367,674
Total Payables from Exchange Transactions	119,894,687	56,830,276
Payables are being recognised net of any discounts.		
Policy are that payables are paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
The carrying value of trade and other payables approximates its fair value.		
Sundry deposits include hall, builders and housing Deposits.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	15,628,411	5,907,010
National Government Grants	7,717,590	1,051,526
Previously disclosed	-	2,307,003
Correction of error refer note 37	-	(1,255,477)
Provincial Government Grants	7,748,980	4,693,643
District Municipality	161,841	161,841
Less: Unpaid Grants	4,980,558	4,105,182
National Government Grants	4,594,999	4,105,182
Previously disclosed	-	755,833
Correction of error refer note 37	-	3,349,349
Provincial Government Grants	314,636	-
Previously disclosed	-	1,687,047
Correction of error refer note 37	-	(1,687,047)
Public Grants	70,923	-
Total Conditional Grants and Receipts	10,647,853	1,801,828
See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
10 UNSPENT PUBLIC CONTRIBUTIONS		
Mayoral Gala Event	-	-
Total Unspent Public Contributions	-	-
Reconciliation of public contributions		
Opening balance	-	-
Contributions received	-	77,632
Conditions met - Transferred to revenue	-	(77,632)
Closing balance	-	-
Mayoral Gala Event		
Opening balance	-	-
Contributions received	-	77,632
Conditions met - Transferred to revenue	-	(77,632)
Closing balance	-	-
11 TAXES		
11.1 VAT PAYABLE		
VAT Payable	13,199,853	12,549,944
Prior Period error refer note 37	-	-
Total VAT payable	13,199,853	12,549,944
11.2 VAT RECEIVABLE		
VAT Receivable	7,907,317	5,014,421
Prior year correction	-	-
Total VAT receivable	7,907,317	5,014,421
11.3 NET VAT RECEIVABLE/(PAYABLE)	(5,292,535)	(7,535,523)
VAT is accounted for on the accrual basis.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
12	PROPERTY, PLANT AND EQUIPMENT (Continued)		
12.1	Assets pledged as security:		
	All the assets which are obtained by financial leases are pledged as security. See Annexure- A, for a comprehensive description		
12.2	Effect of changes in accounting estimates		
	<u>Change in estimates in terms of GRAP 3</u>		
	The useful life of some of the assets have been changed based on the conditional assessment done during the physical asset verification process. The effect of the adjustments is as follows:		
	Increase / (Decrease) In depreciation due to adjustments	424,695	(108,485)
	Depreciation after adjustments	1,474,616	1,474,616
	Depreciation before adjustments	1,049,921	1,583,101
12.3	Fully depreciated assets that was still in use; at carrying value:	-	-
13	ASSETS HELD FOR SALE		
	Six properties, that forms part of Land and Buildings and Investment properties were advertised with the intention to sell them in the past financial year. The properties could be utilised for business and/or mixed land use purposes.		
	Land and Buildings:	61,117	61,117
	Portion Of The Remainder Of Erf 980	51,225	51,225
	Oudtshoorn, Erf 10413, Portion, Sub 0 - 178177, M2	9,891	9,891
	Investment Properties	199,780	199,780
	Oudtshoorn, Erf 51, Portion, Sub 0 - 360707, M2	161,367	161,367
	Dysselsdorp, Erf 2481, Portion, Sub 0 - 3587, M2	36,166	36,166
	Oudtshoorn, Erf 130, Portion, Sub 0 - 4336255, M2	2,011	2,011
	Dysselsdorp, Erf 57,2058469, M2	236	236
	Non-current assets held for sale at end of year - at book value	260,897	260,897
14	HERITAGE ASSETS		
	Net Carrying amount at 1 July	15,197,645	15,197,645
	Cost	15,197,645	15,197,645
	Accumulated Impairment	-	-
	Assets sold during the year	-	-
	Additions	-	-
	Impairment for the year	-	-
	Net Carrying amount at 30 June	15,197,645	15,197,645
	Cost	15,197,645	15,197,645
	Accumulated Impairment	-	-
	The following Heritage Assets were identified, but no value could be assigned:		
	<u>Rust en Vrede Water Fall</u>		
	The Rust & vrede Waterfall is engraved into the heart of the Swartberg Mountain. The Waterfall is situated on a scenic detour branching off the R328, 18km from Oudtshoorn on the way to the Congo Caves on erf 25. It is classified as a heritage asset controlled and owned by the Municipality.		
	From this waterfall, Oudtshoorn acquires its water supply which is carried by a pipeline, 35 km in length, to the town reservoir and the Raubenheimer Dam.		
	<u>Herrie's Stone, Meiringspoort, Oudtshoorn District</u>		
	The Afrikaans writer, C J Langenhoven, chiselled the name of the well-known elephant 'Herrie', from his book 'Sonde met die Bure' on this rock in July 1929.		
	This has been declared as a Heritage Site.		
	This heritage asset's value could not be reliably measured as it was not purchased nor is there an active market for it and there is no alternative method for valuating this heritage asset.		
	The following Heritage Assets were identified and measured in terms of GRAP:		
	<u>Congo Caves</u>	11,796,645	11,796,645
	This famous attraction is situated in the Congo ward 29 km north of Oudtshoorn and situated on erf 28. It is classified as a heritage asset and controlled and owned by the Municipality.		
	The entrance is in the face of a hill beside the Grobbelaar's River. The maze of caves with their beautiful stalactite formations are most impressive. It is generally accepted that the caves were discovered in 1780 by a herdsman of a farmer called Van Zyl of Doornrivier, while he was looking for lost cattle.		
	<u>CP Nel Museum Building</u>	1,940,000	1,940,000
	The building reflects a late Victorian Colonial style of a classical building and dates from about 1909 and for some half a century served as a boys' school. In 1980 the building complex was declared a National Monument and is owned by the Municipality.		
	<u>Arbeidsgeenot Museum</u>	747,000	747,000
	This was the home of C. J. Langenhoven, renowned South African author, poet and politician and was built in 1898.		
	<u>Le Roux Town House</u>	714,000	714,000
	This richly ornamented Victorian house is one of the so-called ostrich palaces and was designed by the well known architect Charles Bullock.		
	It was erected during 1909 for J.H. Le Roux of the farm Baakenskraal		
	Heritage assets at end of year - at book value	15,197,645	15,197,645

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
15	CAPITALISED RESTORATION COST		
	Net Carrying amount at 1 July	4,516,410	8,782,859
	Cost	11,527,893	15,792,641
	Accumulated Depreciation	(6,561,231)	(6,559,530)
	Accumulated Impairments	(450,252)	(450,252)
	Movement	(502,729)	(4,266,449)
	Additions	-	4,524,564
	Change in estimate	-	(8,789,312)
	Depreciation for the year	(502,729)	(1,701)
	Impairment	-	-
	Net Carrying amount at 30 June	4,013,681	4,516,410
	Cost	11,527,893	11,527,893
	Accumulated Depreciation	(7,063,960)	(6,561,231)
	Accumulated Impairment	(450,252)	(450,252)
16	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	76,938,001	77,241,797
	Cost	79,063,620	79,063,620
	Accumulated Depreciation	(2,125,618)	(1,821,823)
	Assets sold during the year	(15,000)	-
	Transfer of investment property (cost)	-	-
	Transfer of investment property (acc depreciation)	-	-
	Transfer cost to non current assets held for sale	-	-
	Depreciation for the year	(303,795)	(303,795)
	Net Carrying amount at 30 June	76,619,206	76,938,001
	Cost	79,048,620	79,063,620
	Accumulated Depreciation	(2,429,414)	(2,125,618)
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Revenue derived from the rental of investment property	2,277,866	2,368,054
17	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	422,338	1,559,375
	Cost	1,319,756	1,152,654
	Previously disclosed	-	1,022,078
	Correction of error refer note 37	-	130,576
	Accumulated Amortisation	(897,418)	(745,932)
	Previously disclosed	-	(637,894)
	Correction of error refer note 37	-	(108,038)
	Additions	-	167,103
	Amortisation	(139,129)	(151,486)
	Previously disclosed	-	(133,456)
	Correction of error refer note 37	-	(18,030)
	Net Carrying amount at 30 June	283,209	422,338
	Cost	1,319,756	1,319,756
	Accumulated Amortisation	(1,036,547)	(897,418)
	The following material intangible assets are included in the carrying value above		
		Carrying Value	
		2016 R	2015 R
	Description	Amortisation Period	
	Microsoft Office and Windows software	5	
		283,209	422,338
	No intangible asset were assessed as having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.		
18	INVENTORY		
	Maintenance Materials - At cost	1,303,462	1,574,385
	Water - at cost	238,571	233,837
	Provision for obsolete stock	(128,856)	(128,856)
	Total Inventory	1,413,177	1,679,365
	Provision for obsolete stock:		
	Maintenance materials not in use / unusable.	128,856	128,856
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surpluses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	2,195,594	1,178,958

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19

RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Electricity	15,631,994	13,958,859
Previously disclosed	-	13,436,524
Prior year correction per note 37	-	522,335
Water	21,338,023	35,074,321
Previously disclosed	-	35,067,179
Prior year correction per note 37	-	7,142
Refuse	13,107,134	17,977,434
Klein Karoo Water scheme	5,262,027	4,507,920
Sewerage	14,673,342	19,729,684
Units not billed	4,841,497	8,874,889
Housing Rentals	755	744
Legal fees recovery	8,898,000	8,185,500
Sundry municipal charges	5,302,063	5,500,704
Previously disclosed	-	5,487,212
Prior year correction per note 37	-	13,492
Other	1,910,689	1,911,107
Total Receivables from Exchange Transactions	90,965,524	115,721,162
Less: Allowance for Impairment	(60,808,061)	(55,164,475)
Total Net Receivables from Exchange Transactions	30,157,462	60,556,686

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	9,886,038	8,393,979
31 - 60 Days	262,859	270,809
61 - 90 Days	256,063	127,595
+ 90 Days	5,227,044	4,644,142
Total	15,631,994	13,436,525

(Water): Ageing

Current (0 - 30 days)	4,124,904	4,194,893
31 - 60 Days	846,676	1,250,042
61 - 90 Days	807,756	1,155,846
+ 90 Days	15,558,687	28,466,396
Total	21,338,023	35,067,179

(Refuse): Ageing

Current (0 - 30 days)	1,256,186	1,528,978
31 - 60 Days	217,826	425,741
61 - 90 Days	200,521	367,706
+ 90 Days	11,432,602	15,655,009
Total	13,107,134	17,977,434

(Klein Karoo Water Scheme): Ageing

Current (0 - 30 days)	515,249	455,460
31 - 60 Days	134,034	102,984
61 - 90 Days	113,151	87,845
+ 90 Days	4,499,593	3,861,630
Total	5,262,027	4,507,919

(Sewerage): Ageing

Current (0 - 30 days)	2,049,127	2,258,572
31 - 60 Days	277,426	490,221
61 - 90 Days	241,869	413,644
+ 90 Days	12,104,920	16,567,247
Total	14,673,343	19,729,684

(Units not billed): Ageing

Current (0 - 30 days)	4,841,497	8,874,889
Total	4,841,497	8,874,889

(Rent): Ageing

+ 90 Days	755	744
Total	755	744

(Legal Fees Recovery): Ageing

+ 90 Days	8,898,000	8,185,500
Total	8,898,000	8,185,500

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19

RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

(Sundry municipal charges): Ageing

	2016 R	2015 R
Current (0 - 30 days)	494,164	833,526
31 - 60 Days	77,444	95,094
61 - 90 Days	66,111	63,194
+ 90 Days	4,664,345	4,495,399
Total	5,302,064	5,487,212

(Other): Ageing

	2016 R	2015 R
+ 90 Days	1,910,689	1,911,107
Total	1,910,689	1,911,107

(Total): Ageing

	2016 R	2015 R
Current (0 - 30 days)	23,167,164	26,540,297
31 - 60 Days	1,816,265	2,634,891
61 - 90 Days	1,885,461	2,215,830
+ 90 Days	64,296,635	83,787,176
Total	90,965,525	115,178,195

Reconciliation of Provision for Impairment

	2016 R	2015 R
Balance at beginning of year	55,164,475	49,839,096
Contribution to provision	40,227,432	5,325,380
Previously disclosed	-	770,515
Prior year correction per note 37	-	4,554,865
Bad Debts Written Off	(34,583,846)	-
Balance at end of year	60,808,061	55,164,475

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Summary of receivables from exchange transactions by Customer Classification

	Current (0 - 30 days)	31 - 60 Days	61 - 90 Days	+ 90 Days
as at 30 June 2016				
Residential	11,581,997	1,384,297	1,267,802	54,873,285
Business	5,210,312	99,077	72,243	2,119,639
Government	778,327	64,867	107,287	1,082,912
Other	5,596,536	268,029	238,134	6,220,782
	23,167,172	1,816,270	1,885,466	64,296,619

Total receivables by customer classification

				90,965,527
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as at 30 June 2015

	Current (0 - 30 days)	31 - 60 Days	61 - 90 Days	+ 90 Days
Residential	8,311,682	1,752,695	1,370,284	54,929,882
Business	4,671,056	128,839	119,666	2,013,035
Government	(79,677)	108,135	101,579	907,668
Other	14,200,456	648,517	627,327	25,367,051
	27,103,517	2,638,186	2,218,856	83,217,636

Total receivables by customer classification

				115,178,195
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Trade and other receivables past due but not impaired

The ageing of receivables from exchange transactions past due but not impaired is as follows:

Neither past due nor impaired

	2016 R	2015 R
Current (0-30 days)	14,927,615	26,540,297

Past due and not impaired

	2016 R	2015 R
1 month past due	1,817,204	2,634,896
2+ months past due	13,412,647	31,381,494
	30,157,466	60,556,687

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2016 R	2015 R
Rates	16,494,075	19,300,022
Other Receivables	21,927,858	12,584,578
Suspense Debtors	2,676,918	2,726,899
Traffic fines debtors	19,250,940	9,857,680
Previously reported	-	10,435,880
Correction of error refer note 37	-	(578,200)
Total Receivables from Non-Exchange Transactions	38,421,932	31,884,600
Less: Allowance for Impairment	(27,214,866)	(17,035,889)
Total Net Receivables from Non-Exchange Transactions	11,207,066	14,848,711

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	4,081,988	3,772,371
31 - 60 Days	340,099	544,435
61 - 90 Days	261,946	428,037
+ 90 Days	11,810,041	14,555,179
Total	16,494,075	19,300,022

Reconciliation of Provision for Impairment

Balance at beginning of year	17,035,889	11,415,302
Contribution to provision	10,718,044	5,620,587
Balance previously reported	-	4,582,457
Correction of error refer note 37	-	1,038,130
Bad Debts Written Off	(539,067)	-
Balance at end of year	27,214,866	17,035,889

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

There is a high risk that Traffic Fines related debtors are not recoverable. The municipality's historical experience in collection of these debtors are reflected in the provision for impairment. It is estimated that approximately 20% of fines will be recovered.

Summary of receivables from non-exchange transactions by Customer Classification

	Current (0 - 30 days)	31 - 60 Days	61 - 90 Days	+ 90 Days
as at 30 June 2015				
Residential	3,678,541	278,538	223,002	8,982,821
Business	155,103	13,293	3,025	156,261
Government	12,262	265	265	1,783,049
Other	1,068,932	1,399,544	1,168,615	19,498,418
	4,914,838	1,691,639	1,394,906	30,420,549

Total receivables by customer classification

				38,421,932
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as at 30 June 2014

Residential	3,322,319	419,451	336,920	9,971,353
Business	100,366	4,054	2,112	98,109
Government	23,149	20,613	144	1,164,079
Other	326,537	100,317	89,862	3,321,636
	3,772,371	544,436	428,038	14,555,179

Total receivables by customer classification

				19,300,022
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Trade and other receivables past due but not impaired

The ageing of receivables from non exchange transactions past due but not impaired is as follows:

Neither past due nor impaired

Current (0-30 days)	3,888,942	4,262,393
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Past due and not impaired

1 month past due	340,231	544,436
2+ months past due	6,977,893	10,051,883

	11,207,066	14,848,711
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
21 OPERATING LEASE ARRANGEMENTS		
21.1 The Municipality as Lessor (Asset)		
Balance on 1 July (restated)	61,292	70,519
Movement during the year	(29,440)	(9,227)
Balance on 30 June	31,852	61,292
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	208,597	420,169
1 to 5 Years	25,441	272,746
Total Operating Lease Arrangements	234,038	692,915
This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
The leases are in respect of land and buildings being leased out for several purposes.		
22 CASH AND CASH EQUIVALENTS		
<u>Assets</u>		
Call Investments Deposits	16,217,267	301,912
Balance previously reported		88,342
Correction of error refer note 37		213,570
Primary Bank Account	3,371,378	-
Cash Floats	55,390	54,214
Accrued cash deposits	120,165	148,461
Total Cash and Cash Equivalents - Assets	19,764,200	504,588
<u>Liabilities</u>		
Primary Bank Account	-	(48,024,578)
Total Cash and Cash Equivalents - Liabilities	-	(48,024,578)
Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
The municipality has the following bank accounts:		
<u>Current Accounts - Cash book balances</u>		
Standard Bank George-Account Number 082796068 / ABSA Bank-Account Number 4085827851 (Primary Bank Account)	1,128,563	(47,639,761)
Standard Bank George-Account Number 082795754 / ABSA Bank-Account Number 4085372149 (Primary Bank Account)	477,497	639,401
Standard Bank George-Account Number 082797048 / ABSA Bank-Acc. 4085866467 (Primary Bank Account - CAVES)	1,411,504	(569,569)
Standard Bank George-Account Number 082797331 / ABSA Bank-Account Number 4085866522 (KKLWS)	203,422	(470,158)
Standard Bank George-Account Number 082795428 / ABSA Bank-Account Number 4085866271 (Traffic Account)	150,393	15,509
	3,371,378	(48,024,578)
Cash book balance at beginning of year	(48,024,578)	2,645,944
Cash book balance at end of year	3,371,378	(48,024,578)
<u>Current Accounts - Bank statement balances</u>		
Standard Bank George-Account Number 082796068 (Primary Bank Account)		
Bank statement balance at beginning of year	112,080	781,629
Bank statement balance at end of year	-	112,080
Standard Bank George-Account Number 082795754 (Primary Bank Account)		
Bank statement balance at beginning of year	(43,813)	545,407
Bank statement balance at end of year	-	(43,813)
Standard Bank George-Account Number 082797048 (Primary Bank Account - CAVES)		
Bank statement balance at beginning of year	5,095	769,868
Bank statement balance at end of year	-	5,095
Standard Bank George-Account Number 082795428 (Traffic Account)		
Bank statement balance at beginning of year	1,044	27,397
Bank statement balance at end of year	-	1,044
Standard Bank George-Account Number 082797331 (KKLWS)		
Bank statement balance at beginning of year	26,617	12,749
Bank statement balance at end of year	-	26,617
ABSA Bank-Account Number 4085827851 (Primary Bank Account)		
Bank statement balance at beginning of year	553,780	-
Bank statement balance at end of year	1,186,068	553,780
ABSA Bank-Account Number 4085372149 (Primary Bank Account)		
Bank statement balance at beginning of year	50,000	-
Bank statement balance at end of year	50,000	50,000
ABSA Bank-Acc. 4085866467 (Primary Bank Account - CAVES)		
Bank statement balance at beginning of year	94,844	-
Bank statement balance at end of year	1,411,504	94,844
ABSA Bank-Account Number 4085866522 (KKLWS)		
Bank statement balance at beginning of year	5,132	-
Bank statement balance at end of year	209,965	5,132
ABSA Bank-Account Number 4085866271 (Traffic Account)		
Bank statement balance at beginning of year	14,465	-
Bank statement balance at end of year	150,393	14,465

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
Nedbank Account nr 03 / 7881001143/ 129	3,520,532	-
Nedbank Account nr 03 / 7881019344 / 29	85,060	79,930
Nedbank Account nr 03 / 7881019344 / 30	500,932	-
Nedbank Account nr 03 / 7881019344 / 31	1,903,540	-
Standard Account nr 288835379001	2,902,701	-
Standard Account nr 288835379002	2,000,000	-
Investec account nr 1400-171058 500	5,136,931	8,412
ABSA Account nr 2057657387	21,323	20,059
ABSA Account nr 2057657573	18,642	17,570
ABSA Account nr 2057657599	14,292	14,292
ABSA Account nr 2058956867	63,539	63,539
ABSA Account nr 2059299848	7,000	7,000
ABSA Account nr 2064485555	2,512	2,370
ABSA Account nr 2065374806	17,348	17,348
ABSA Account nr 2066465218	19,031	19,031
ABSA Account nr 2074007260	-	48,573
ABSA Account nr 55975057735	3,884	3,788
	16,217,267	301,912

The municipality is also exposed to a number of guarantees issued in favour of trade creditors. These guarantees are listed below

Guarantee held at Standard Bank of South Africa in the favour of ESKOM	-	409,100
Guarantee held at ABSA Bank of South Africa in the favour of ESKOM	409,100	-
Guarantee held at Standard Bank of South Africa in the favour of Automated Fuel Systems.	-	200,000
	409,100	609,100

23 PROPERTY RATES

Actual

Rateable Land and Buildings	67,502,688	61,738,876
Property taxes	67,502,688	61,738,876
Less: Rebates	(4,913,228)	(4,143,747)
Total Assessment Rates	62,589,460	57,595,130

Valuations - 1 JULY 2012 (including interim adjustments)

Rateable Land and Buildings		
Residential	4,448,072,300	4,385,020,700
Business & Commercial	854,657,800	1,067,117,000
Churches	162,169,000	168,317,000
Government	566,561,000	566,881,000
Pensioners	2,000,000	24,524,500
Other	616,213,500	425,784,600
Agricultural	1,093,955,000	1,058,139,000
Total Assessment Rates	7,743,628,600	7,695,783,800

Independent valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012 with an interim valuation in May 2016.

Rates:		
Residential	0.983764c/R	0.919405c/R
Government	1.319581c/R	1.230378c/R
Commercial	1.351570c/R	1.290378c/R
Agricultural	0.126706c/R	0.114926c/R

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	53,117,000	47,541,000
Equitable Share	53,117,000	46,541,000
Water Affairs	-	1,000,000
Previously disclosed	-	189,472
Prior year correction per note 37	-	810,528
Conditional Grants	54,055,950	77,080,644
Grants and donations	54,055,950	77,080,644
Previously disclosed	-	76,635,695
Prior year correction per note 37	-	444,949
Total Government Grants and Subsidies	107,172,950	124,621,644
Government Grants and Subsidies - Capital	39,371,449	38,273,725
Previously disclosed	-	37,828,776
Prior year correction per note 37	-	444,949
Government Grants and Subsidies - Operating	67,801,503	86,347,919
Previously disclosed	-	85,537,390
Prior year correction per note 37	-	810,528
	107,172,951	124,621,643

The municipality does not expect any significant changes to the level of grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24.1 Equitable share		
Grants received	53,117,000	46,541,000
Conditions met - Operating	(53,117,000)	(46,541,000)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
24.2 Extended Public Works Program		
Opening balance	-	(965,113)
Grants received	1,405,000	1,665,000
Conditions met - Operating	(1,405,000)	(699,897)
Conditions still to be met	-	-
Job creation projects in previous disadvantage areas		
24.3 Finance Management Grant		
Opening balance	-	130,562
Grants received	1,450,000	1,450,000
Conditions met - Operating	(1,350,000)	(1,580,562)
Conditions still to be met	100,000	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.		
24.4 Finance Management Support Grant		
Opening balance	325,000	325,000
Grants received	3,210,880	450,000
Conditions met - Operating	(1,796,778)	(450,000)
Conditions still to be met	1,738,902	325,000
The Financial Management Support Grant was received from Provincial Treasury to assist with the implementation of Risk management and the procurement of software		
24.5 Electricity Demand Side Management Grants (EEDSM)		
Opening balance	-	-
Grants received	3,000,000	-
Conditions met - Capital	(1,076,186)	-
Grant expenditure to be recovered	1,923,814	-
The EEDSM grant was received to implement energy efficient retrofits within the municipal infrastructure.		
24.6 Municipal Infrastructure Grant (MIG)		
Opening balance	-	28,936
Grants received	24,138,000	20,437,000
Conditions met - Capital	(19,076,073)	(20,020,987)
Correction of error refer note 37	-	(444,949)
Conditions still to be met	5,061,927	-
The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.		
24.7 Library Services		
Opening balance	-	-
Grants received	4,222,000	3,150,000
Conditions met - Operating	(4,222,000)	(3,173,607)
Correction of error refer note 37	-	23,607
Conditions still to be met	-	-
The grant is used to transform urban and rural community library infrastructure, facilities and services		
24.8 DME Electrification New Housing Projects		
Opening balance	(4,105,181)	3,365,610
Grants received	6,000,000	4,000,000
Conditions met - Capital	(758,292)	(8,105,181)
Correction of error refer note 37	-	(3,365,611)
Conditions still to be met	1,136,526	(4,105,181)
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
24.9 Augmentation of Water Supply Grant		
Opening balance	-	-
Grants received	1,900,000	-
Conditions met - Operating	-	-
Conditions still to be met	1,900,000	-
The grant was received to identify new water sources for De Rust, equipped and connect to existing bulk water system to augment the supply.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24.10 Supply for Drought Relief Interventions		
Opening balance	-	-
Grants received	2,000,000	-
Conditions met - Capital	-	-
Conditions still to be met	2,000,000	-
The grant was received to protect the revenue base of the municipality by ensuring water demands are met		
24.11 Regional Bulk Infrastructure Grant - Department of Water Affairs and Forestry Grant		
Opening balance	831,706	470,902
Grants received	10,991,098	10,063,413
Conditions met - Capital	(16,417,803)	(9,702,609)
Conditions still to be met	(4,594,999)	831,706
The grant was given to assist with the water shortage in the area		
24.12 Municipal Infrastructure Support Grant		
Opening balance	-	-
Grants received	1,000,000	-
Conditions met - Capital	(1,000,000)	-
Conditions still to be met	-	-
The grant was received to refurbish mechanical and electrical plant & equipment and appurtenant civil works at various process facilities of the new section of the sewage and waste water treatment works.		
24.13 Other Grants		
Opening balance	4,750,303	3,076,388
Grants received	3,585,197	34,919,759
Conditions met - Operating	(5,910,724)	(33,092,334)
Conditions met - Capital	(1,043,094)	-
Correction of error refer note 37	-	(153,510)
Conditions still to be met	1,381,682	4,750,303
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
24.14 Total Grants		
Opening balance	1,801,828	6,432,286
Grants received	116,018,975	122,676,172
Conditions met - Operating	(67,801,502)	(85,537,390)
Conditions met - Capital	(39,371,448)	(37,828,777)
Correction of error	-	(3,940,463)
Conditions still to be met/(Grant expenditure to be recovered)	10,647,853	1,801,828
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	15,628,411	5,907,010
Unpaid Conditional Government Grants and Receipts	(4,980,558)	(4,105,182)
Reallocated opening balance	10,647,853	1,801,828
25 CONTRIBUTED/ DONATED PPE		
During the year ended 30 June 2016 the following assets were donated to the municipality:		
- Improvements to Cricket Clubhouse by South Western Districts	10,434	-
- Computer Equipment to CJ Langenhoven Library by Western Cape Government through the SLA Mzansi Library Project	237,211	-
- Improvements to Fire Station by Penny Pinchers	8,317	-
	255,962	-
26 SERVICE CHARGES		
Electricity	194,757,397	176,795,608
Previously disclosed	-	176,273,273
Prior year correction per note 37.1a	-	522,335
Water	52,110,530	50,251,345
Previously disclosed	-	50,244,203
Prior year correction per note 37.1a	-	7,142
Water Klein Karoo Rural Scheme	4,585,157	4,548,554
Refuse removal	18,567,942	14,309,804
Sewerage and Sanitation Charges	31,536,062	26,298,587
Previously disclosed	-	26,298,956
Prior year correction per note 37.1a	-	(369)
Less: Rebates	301,557,088	272,203,899
	(32,163,871)	(21,976,239)
Total Service Charges	269,393,217	250,227,660
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
27 OTHER INCOME		
Advertising Fees	60,398	58,921
Airport landings	7,601	7,665
Cango Mountain Resort	1,193,332	1,402,925
Cemeteries	902,644	859,941
Electricity sundries	384,390	379,556
Infrastructure levies	108,187	151,327
Legal fees recovered	613,630	575,871
Libraries	45,405	38,430
Parking Fees	100,111	4,781
Photostats and faxes	17,414	26,836
Rezoning Fees	10,842	12,785
Sportgrounds and swimming pools	190,756	193,457
Stock adjustments	-	910
Sundries	3,988,491	1,788,958
Previously disclosed	-	1,788,828
Prior year correction per note 37	-	130
Townplanning	97,720	74,872
Traffic	270,941	266,085
Valuation certificates	104,949	101,193
Water sundries	1,092,346	504,613
Total Other Income	9,189,158	6,449,126

Sundry income represents sundry income such as building plans, sale of sundry items and fees for items not included under service charges (camping, fire brigade and impounding fees)

28 EMPLOYEE RELATED COSTS		
Acting Allowance	819,510	2,353,138
Bargaining Allowance	52,807	70,228
Bonuses	7,359,485	7,318,906
Contribution to Long Service awards	1,054,334	955,792
Contribution to Post Employment Medical	9,332,907	11,368,308
Contributions to Group Insurance	1,819,001	1,825,190
Contributions to Medical Aid	6,695,638	6,985,814
Contributions to Pension	19,941,682	16,957,809
Contributions to UIF	867,663	1,034,851
Contributions to Workman's Compensation	1,278,746	904,961
Previously reported	-	17,772
Prior Period error refer note 37	-	887,189
Housing Benefits and Allowance	1,786,336	906,690
Leave payments	1,494,645	2,739,711
Other Allowance	1,190,322	759,342
Overtime payments	7,958,415	9,192,681
Salaries and Wages	105,820,287	99,197,742
Previously reported	-	99,174,135
Prior Period error refer note 37	-	23,607
Shift Allowance	279,526	355,636
Skills Development	1,189,471	1,359,130
Standby Allowance	1,439,340	1,664,562
Telephone Allowance	85,979	387,703
Temporary Personnel	10,735,978	6,395,018
Travelling Allowance	3,887,429	4,903,279
Total Employee Related Costs	185,089,501	177,636,491

KEY MANAGEMENT PERSONNEL

Municipal Manager and his Directors is appointed on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The municipality was placed under provincial administration on 30 July 2015 in terms of Section 139(1)(b) of the Constitution of the Republic of South Africa. There were only two of the five director positions filled during the course of the year, the positions not disclosed were filled on a temporary basis by various individuals during the course of the year.

Remuneration of the Director Corporate Services	Total	Total
Annual Remuneration	1,250,215	466,790
Car Allowance	-	252,184
Housing allowance	-	6,402
Bonus allowance	-	38,899
Acting allowance	-	249,435
Contributions to UIF, Medical, Pension Funds and Bargaining Council	19,844	77,149
Other	8,800	69,811
Total	1,318,859	1,160,670

Director Corporate Services became vacant during March 2016. The Director Corporate Services acted as Director: Finance for a short period in the year.

Remuneration of the Director Community Services	Total	Total
Annual Remuneration	1,036,787	346,374
Car Allowance	168,000	106,253
Bonus allowance	-	28,578
Telephone allowance	11,220	5,100
Acting allowance	87,364	369,851
Housing allowance	72,000	3,792
Contributions to UIF, Medical, Pension Funds and Bargaining Council	46,410	104,340
Other	13,815	14,876
Total	1,435,596	979,164

Director Community Services became acted as Municipal Manager for a short period in the year.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

					2016 R	2015 R		
29	REMUNERATION OF COUNCILLORS							
	Salaries				4,649,622	5,866,181		
	Pension				65,240	251,951		
	Travelling Allowance				1,457,053	1,937,434		
	Telephone Allowance				366,740	563,355		
	Medical Scheme				134,930	115,485		
	Skills Development Levy				68,639	48,452		
	Total Councillors' Remuneration				6,742,224	8,782,859		
	Disclosure of councillors remuneration for the year ended 30 June 2016:							
			Basic	Pension and Medical	Travel Allowance	Telephone Allowance	Total	
	April	G	Councillor	148,152	27,707	56,382	3,478	235,718
	Donson	VM	Councillor	221,316	-	56,313	20,868	298,497
	Stoffels	JNH	Councillor	140,887	-	42,891	-	183,779
	Wagenaar	C	Councillor	184,479	19,283	66,990	-	270,752
	Gunguluza	N	Councillor	169,667	33,997	67,400	-	271,064
	Phillips	G	Councillor	196,289	-	65,194	-	261,482
	Ngalo	E	Councillor	196,244	-	65,194	20,868	282,305
	Stalmeester	L	Councillor	219,784	19,283	24,778	-	263,845
	Fortuin	E	Councillor	171,517	-	56,937	20,868	249,322
	Roberts	PL	Councillor	5,239	-	2,160	-	7,400
	De Jager	D	Councillor	170,811	-	56,937	20,868	248,616
	Nel	PA	Councillor	28,706	-	9,569	2,524	40,799
	Van Wyk	BN	Councillor	212,339	-	70,544	20,868	303,751
	Magxaka	F	Councillor	170,811	-	56,937	20,868	248,616
	Maxim	J	Councillor	124,874	30,384	52,446	19,129	226,833
	Wagenaar	M	Councillor	173,544	-	56,937	20,868	251,349
	Wildschut	RR	Councillor	212,778	-	70,544	20,868	304,190
	Fourie	DJ	Councillor	212,339	-	70,544	21,036	303,919
	Van der Westhuizen	VI	Councillor	245,731	-	78,104	10,434	334,268
	Macpherson	CD	Councillor	234,897	-	75,664	20,868	331,429
	Harmse	J	Councillor	101,095	9,135	36,415	6,956	153,602
	Biljohn	SC	Councillor	196,941	19,283	17,810	6,956	240,989
	Williams	V	Councillor	74,098	20,081	16,522	6,956	117,657
	Krowitz	J	Councillor	212,339	-	70,544	20,868	303,751
	Wagenaar	LPO	Councillor	166,391	-	53,507	20,588	240,486
	Pannas	B	Councillor	109,947	-	36,649	14,192	160,788
	Kersop	G	Councillor	102,834	-	34,278	13,274	150,387
	Luiters	P	Councillor	90,391	-	30,130	11,668	132,190
	Titus	M	Councillor	155,184	21,016	58,733	20,868	255,801
				4,649,622	200,170	1,457,052	366,740	6,673,585
	Other expense related to councillors: Skills Development Levy						68,639	
							6,742,224	
	In-kind Benefits							
	The Executive Mayor, Mayoral Committee members and the Speaker are full-time councillors. The Mayor, Mayoral Committee members and the Speaker are provided with secretarial support and an office at the cost of the Council.							
30	DEBT IMPAIRMENT							
	Trade Receivables from exchange transactions - Note 19				40,227,432	5,325,380		
	Trade Receivables from non-exchange transactions - Note 20				10,718,044	5,620,587		
	Other bad debt written off				-	678,119		
	Total Contribution to Debt Impairment				50,945,476	11,624,086		
31	DEPRECIATION AND AMORTISATION							
	Property Plant and Equipment				18,319,713	18,902,757		
	Previously reported				-	19,087,289		
	Prior Period error refer note 37				-	(184,532)		
	Investment Property				303,795	303,795		
	Intangible Assets				139,129	151,486		
	Previously reported				-	133,456		
	Prior Period error refer note 37				-	18,030		
	Capitalized Restoration Cost				502,729	1,701		
					19,265,366	19,359,739		
32	IMPAIRMENTS							
	Property Plant & Equipment				-	2,145,298		
	Capitalized Restoration Cost				-	-		
					-	2,145,298		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
33 FINANCE CHARGES		
Long-term Liabilities	14,610,132	11,646,102
Finance leases	49,681	137,178
Tip site restoration contribution	2,309,688	(30,238,665)
Other	10,869	7,892
Previously reported	-	-
Prior Period error refer note 37	-	7,892
Total finance charges	16,980,370	(18,447,493)
Allocated to:		
Other revenue	-	(30,238,665)
Expenditure	16,980,370	11,791,173
	16,980,370	(18,447,493)
34 BULK PURCHASES		
Electricity bulk	143,017,191	119,375,569
Water bulk	3,006,693	2,689,838
	146,023,884	122,065,407
35 CONTRACTED SERVICES		
Cleaning services	293,106	359,293
Computer and software licencing	1,530,926	1,536,971
Landfill services	1,486,359	1,645,991
Leases and rentals	10,663,931	10,617,252
Previously reported	-	8,953,812
Prior Period error refer note 37	-	1,663,440
Other	1,746,024	1,812,161
Professional Services	4,142,915	4,933,862
Security Services	4,329,529	10,365,569
Service Contracts	608,972	408,306
Training	93,839	215,403
	24,895,601	31,894,808
36 GENERAL EXPENSES		
Advertisements	531,510	701,273
Audit Fees	5,769,178	4,825,042
Bank Charges	2,173,559	1,930,706
Calendar events	41,010	235,583
Chemicals	479,975	616,552
Commission paid	2,955,289	3,627,379
Electricity	33,847	54,340
Financial Aid Scheme	-	56,323
Previously reported	-	40,061
Prior Period error refer note 37	-	16,262
Fuel Cost	4,332,315	5,877,198
Housing	4,124,162	29,234,541
Indigent Burials	505,278	607,858
Insurance	1,329,140	1,269,117
Inventory Items	311,270	438,584
Legal Cost	2,649,148	25,734,475
Licence Fees	217,676	157,286
Membership Fees	1,610,340	1,631,702
Previously reported	-	157,280
Prior Period error refer note 37	-	1,474,412
Penalties	166,890	96,010
Performance Management	-	2,053
Postage	524,134	162,686
Printing and stationery	407,797	682,224
Professional Fees	3,206,446	4,206,859
Project Expenditure	660,848	2,769,874
Safety clothes	423,509	418,950
Social Assistance	-	241,764
Speed camera fees	281,878	1,033,918
Sport Development	29,889	418,384
Telephone	2,174,856	2,207,030
Tools and Equipment	57,317	66,478
Tourism	512,000	486,070
Training	884,368	573,583
Travel and subsistence	941,160	1,597,378
Ward Committee Functionality	250,000	396,777
Water	2,932,301	1,799,407
Other	3,560,382	5,609,247
	44,077,472	99,746,654
37 CORRECTION OF ERROR IN TERMS OF GRAP 3		
Prior year adjustments due to non-compliance with Accounting policy and errors		
37.1 a) Correction of error due to incorrect charges to debtors accounts. The following entry was processed: (Dt) Accumulated Surplus (Cr) Receivables from Exchange Transactions.		
b) Correction on Other Assets depreciation to correct the book values to residual values. The following entry was processed (Dt) Accumulated Depreciation: Other Assets (Cr) Accumulated Surplus		
c) Correction of error due to SALGA membership fees not provided as payable. The following entry was processed: (Dt) Accumulated Surplus (Cr) Payables from Exchange Transactions		
d) Correction of error due to incorrect allocation of computer software as computer equipment i.s.o. intangible assets. The following entry was processed: (Dt) Intangible Assets (Cr) Property, Plant and Equipment.		

37

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- e) Correction of error due to incorrect allocation of grant expenditure. The following entry was processed: (Dt) Unpaid Conditional Government Grants and Receipts (Cr) Accumulated Surplus; (Dt) Accumulated Surplus (Cr) Unpaid
- f) Correction of error due to incorrect allocation of grant income. The following entry was processed: (Dt) Unspent Conditional Government Grants and Receipts (Cr) Accumulated Surplus.
- g) Correction of error due to prior year unallocated debtors older than 12 months not allocated to income. The following entries were processed (Dt) Payables from exchange transactions (Cr) Accumulated Surplus
- h) Correction of error due to change in useful lives of Property, Plant and Equipment. The following entries were processed (Dt) Property, Plant and Equipment (Cr) Accumulated Surplus; (Dt) Accumulated Surplus (Cr) Property, Plant and Equipment.
- i) Correction of error due to Workmans Compensation levies not provided in prior periods. The following entries were processed: (Dt) Accumulated Surplus (Cr) Payables from exchange transactions.
- j) Correction of error due to Advance Deposits not recognised as revenue when due. The following entries were processed: (Dt) Payables from exchange transactions (Cr) Accumulated Surplus.
- k) Correction of error due to Impairment of Infrastructure Asset identified in prior year not accounted for. The following entries were processed: (Dt) Accumulated Surplus (Cr) Property, Plant and Equipment.
- l) Correction of error due to Pensioner invested by the Municipality not recognised previously. The following entries were processed: (Dt) Cash and Cash Equivalents (Cr) Accumulated Surplus; (Dt) Accumulated Surplus (Cr) Payables from exchange Transactions.
- m) Correction of error due to uncorrected misstatements per 2014/2015 audit report relating to debt impairment. The following entries were processed (Dt) Accumulated depreciation (Cr) Receivables from exchange transactions (Cr) Receivables from non-exchange transactions.
- n) Correction of allocation of Employee Cost from Repairs and Maintenance. The correction is made retrospectively (Dt) Accumulated Surplus (Cr) Accumulated Surplus.
- o) Correction of error due to traffic fines recognised on removed camera. The following entries were processed (Dt) Accumulated Surplus (Cr) Receivables from non-exchange transactions (Dt) Receivables from non-exchange transactions (Cr) Accumulated Surplus.

Balance previously reported

462,995,471

	(8,627,287)	9,230,051
Correction on Receivables from exchange transactions - see note 37.1.a	542,968	-
Correction on Property, Plant and Equipment - see note 37.1.b	53,017	-
Correction on Payables from Exchange Transactions - see note 37.1.c	(1,474,412)	-
Correction on Intangible Assets - see note 37.1.d	(18,030)	22,537
Correction on Property, Plant and Equipment - see note 37.1.d	18,030	(22,537)
Correction on Unpaid Conditional Government Grants and Receipts - see note 37.1.e	(1,703,309)	3,365,611
Correction on Unspent Conditional Government Grants and Receipts - see note 37.1.f	2,278,161	-
Correction on Payables from exchange transactions - see note 37.1.g	152,500	1,144,297
Correction on Property, Plant and Equipment - see note 37.1.h	108,485	5,790,166
Correction on Payables from exchange transactions - see note 37.1.i	(887,189)	(1,070,023)
Correction on Payables from exchange transactions - see note 37.1.j	613,985	-
Correction on Property, Plant and Equipment - see note 37.1.k	(2,145,298)	-
Correction on Cash and Cash Equivalents - see note 37.1.l	7,892	205,678
Correction on Payables from Exchange Transactions - see note 37.1.l	(7,892)	(205,678)
Correction on Receivables from exchange transactions - see note 37.1.m	(4,554,865)	-
Correction on Receivables from non-exchange transactions - see note 37.1.m	(1,501,846)	-
Correction on Employee Cost - see note 37.1.n	1,212,620	-
Correction on Repairs and Maintenance - see note 37.1.n	(1,212,620)	-
Correction on Receivables from non-exchange transactions - see note 37.1.o	(578,200)	-
Correction on Receivables from non-exchange transactions - see note 37.1.o	463,716	-
	(8,627,287)	472,225,529

Restated balance

463.598.235

37.3 Receivables from exchange transactions - Electricity

Balance previously reported

13.436.525

Correction on prior year receivables - see note 37.1.a

522,335

Correction on Receivables from exchange transactions - see note 37.1.m

(492,574)

Restated balance

13,456,286

37.4 Receivables from exchange transactions - Water

Balance previously reported

35,067,179

Correction on prior year receivables - see note 37.1.a

7,142

Correction on Receivables from exchange transactions - see note 37.1.m

(2,745,528)

Restated balance

32.328.793

37.5 Receivables from exchange transactions - Contribution to impairment

Balance previously reported

(770.515)

Correction on Receivables from exchange transactions - see note 37.1.m

(4.554.865)

Restated balance

(5,325,380)

37.6 Receivables from non-exchange transactions - Contribution to impairment

Balance previously reported

(4.582.457)

Correction on Receivables from exchange transactions - see note 37.1.m

(1,501,846)

Correction on Receivables from exchange transactions - see note 37.1 a

463 716

Restated balance

(5,620,587)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
37 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)		
37.7 Receivables from non-exchange transactions - Traffic Fines Debtors		
Balance previously reported		10,435,880
Correction on Receivables from non-exchange transactions - see note 37.1.o		(578,200)
Restated balance		<u>9,857,680</u>
37.8 Receivables from exchange transactions - Sundry municipal charges		
Balance previously reported		5,487,212
Correction on prior year receivables - see note 37.1.a		13,492
Restated balance		<u>5,500,704</u>
37.9 Payables from exchange transactions		
Balance previously reported		(45,335,252)
Correction on Payables from Exchange Transactions - see note 37.1.c		(1,474,412)
Correction on Payables from exchange transactions - see note 37.1.i		(1,957,212)
Restated balance		<u>(48,766,876)</u>
37.10 Intangible Assets		
Balance previously reported		417,830
Correction on Intangible Assets - see note 37.1.d		130,576
Correction on Intangible Assets - see note 37.1.d		(126,068)
Restated balance		<u>422,338</u>
37.11 Property, Plant and Equipment		
Balance previously reported		639,743,230
Correction on Property, Plant and Equipment - see note 37.1.d		(130,576)
Correction on Property, Plant and Equipment - see note 37.1.d		126,068
Correction on Property, Plant and Equipment - see note 37.1.b		58,017
Correction on Property, Plant and Equipment - see note 37.1.h		5,898,651
Correction on Property, Plant and Equipment - see note 37.1.k		(2,145,298)
Restated balance		<u>643,550,092</u>
37.12 Unpaid Conditional Government Grants and Receipts		
Balance previously reported		2,442,880
Correction on Unpaid Conditional Government Grants and Receipts - see note 37.1.e		3,365,611
Correction on Unpaid Conditional Government Grants and Receipts - see note 37.1.e		(1,663,440)
Correction on Unpaid Conditional Government Grants and Receipts - see note 37.1.e		(23,607)
Correction on Unpaid Conditional Government Grants and Receipts - see note 37.1.e		(16,262)
Restated balance		<u>4,105,182</u>
37.13 Unspent Conditional Government Grants and Receipts		
Balance previously reported		(8,185,171)
Correction on Unspent Conditional Government Grants and Receipts - see note 37.1.f		2,278,161
		<u>(5,907,010)</u>
37.14 Payables from exchange transactions - Unallocated Funds Debtors		
Balance previously reported		(1,836,688)
Correction on Payables from exchange transactions - see note 37.1.g		1,296,797
		<u>(539,891)</u>
37.15 Payables from exchange transactions - Advance Receipts		
Balance previously reported		(622,081)
Correction on Government Grants Income - see note 37.1.p		613,995
		<u>(8,086)</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
38 RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus/(Deficit) for the year	(22,125,236)	(18,618,214)
<u>Adjustments for:</u>		
Depreciation	19,126,240	19,208,253
Gain on disposal of Property, Plant and Equipment	(14,200)	-
Amortisation of Intangible Assets	139,129	151,486
Asset Impairment	-	2,145,298
Debt Impairment	50,945,476	11,624,086
Debt Impairment - Decrease	-	-
Actuarial Gains	(277,102)	(2,336,592)
Actuarial losses	2,927,535	666,091
Contribution to non current liability	2,309,688	(30,238,665)
Contribution to employee benefits-current	61,524	2,443,289
Contribution from/to employee benefits-non current	9,293,060	8,743,932
Assets written off	1,104,480	21,787
Operating lease income accrued	29,440	9,227
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	63,520,033	(6,180,023)
Changes in working capital	53,029,029	(7,701,852)
Increase/(Decrease) in Trade and Other Payables	63,064,411	12,584,546
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	9,721,401	(4,272,445)
Increase/(Decrease) in Unpaid Conditional Public Grants and Reserves	-	-
Increase/(Decrease) in Unspent Conditional Public Grants and Reserves	(2,242,888)	201,927
Increase/(Decrease) in Taxes	266,188	(316,512)
(Increase)/Decrease in Inventory	(16,904,607)	(18,906,967)
(Increase)/Decrease in Trade and other receivables	(875,376)	3,007,599
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	-	-
Cash generated/(absorbed) by operations	116,549,063	(13,881,874)
39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents	19,764,200	(47,519,990)
Less:	19,764,200	(47,519,990)
Unspent Conditional Government Grants and Receipts - Note 9	10,335,876	(1,628,513)
VAT - Note 11	15,628,411	5,907,010
Unspent Public Contributions	(5,292,535)	(7,535,523)
Resources available/(required) for working capital requirements	9,428,324	(45,891,477)
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 2	72,673,296	85,859,852
Used to finance property, plant and equipment - at cost	(72,673,296)	(85,859,852)
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016

R

2015

R

41

BUDGET COMPARISONS

41.1 Statement of Financial Position

Ref.

Current Assets :

C1 Call Investments was not provided for in the budget.

Non Current Assets :

C2 Capitalised Restoration Cost, Heritage Assets and other was not provided for in the budget.

Current Liabilities :

C3 The outstanding payables at year end was more than expected. Current employee benefits, Consumer deposits and other not provided for in the budget.

Non Current Liabilities:

C4 External borrowings was significantly lower than expected. Expenditure was funded by own funds and cutbacks were implemented.

41.2 Statement of Financial Performance

Ref.

Revenue :

C5 Less grants received met the conditions for recognition of revenue than expected.

C6 Electricity charges were less than originally expected while compiling the budget.

C11 Traffic Fines issued was more than expected and Penalties previously paid was waived and recouped during the year which was not provided for in the budget.

Expenditure :

C7 Debt impairment was budgeted based on prior year's and did not include bad debt write offs that was processed during the current year.

C8 Bulk purchases was less than expected. The variance is less than 5% on the budgeted figure and thus not significant.

C9 Due to the administration certain expenditure was curbed significantly. (i.e. Security) Hence the expenditure is less than provided for in the budget.

C10 Due to the administration certain expenditure was curbed significantly. (i.e. Legal Cost) Hence the expenditure is less than provided for in the budget.

41.3 Cash flow

Operating Activities:

C12

The cash flow budget was performed on the assumption that the municipality would receive a large overdraft facility at the bank and that creditors would be paid from this. The application was withdrawn and thus the actual figures reflects this.

Cash from Investing activities:

C13 Due to the situation described in C12 less funds were used to fund infrastructure development and thus the actual is less than budget.

Cash from Financing Activities :

No material variance

41.4 Capital Expenditure

C14 A R3 million MKG grant was received towards the end of the year, subsequent expenses to follow and roll over into subsequent financial year.

C15 Funds from RBIG grant were withdrawn after supplier commitments were already in place. The budget was adjusted in line with the reduction of funds however expenditure was in line with supplier commitments.

C16 INEG grant was received in the current financial year however expenses were incurred in the prior year.

41.5 Reconciliation between 2016 Approved Budget and Budget figures per Financial Statements

For disclosure purposes and to conform to Generally Recognised Accounting Practice (GRAP) some individual accounts were classified differently on the Financial Statements than on the Annual Approved Budget. A reconciliation of differences are listed below.

	Approved Budget	Adjustments	Disclosure Budget
Statement of Financial Performance			
Taxation Revenue			
Property taxes	66,897,387	(6,185,579)	60,711,808
Transfer Revenue			
Government Grants and Subsidies - Capital	45,208,000	-	45,208,000
Government Grants and Subsidies - Operating	70,720,526	-	70,720,526
Revenue from Exchange Transactions			
Service charges	320,895,759	(32,035,565)	288,860,194
Investment revenue	214,646	400,120	614,766
Other own income	54,460,479	(11,650,561)	42,809,917
Total Revenue	558,396,797	(49,471,685)	508,925,211
Expenditure			
Employee related costs	177,890,488	10,042,283	187,932,771
Remuneration of councillors	5,257,955	-	5,257,955
Depreciation and asset impairment	21,808,306	7,278,277	29,086,583
Finance charges	9,001,577	12,806,729	21,808,306
Bulk Purchases	151,494,294	(135,492,717)	16,001,577
Transfers and grants	1,165,000	153,429,294	154,594,294
Other expenditure	199,179,091	(97,547,450)	101,631,641
Total Expenditure	(565,796,712)	49,483,585	(516,313,127)
NET SURPLUS/(DEFICIT) FOR THE YEAR	(7,399,915)	11,999	(7,387,916)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016

R

2015

R

42

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

271,389,826

176,141,055

Unauthorised expenditure current year - capital

7,072,323

10,537,115

Unauthorised expenditure current year - capital funds used to pay operational costs

-

6,737,350

Unauthorised expenditure current year - funding not spent in accordance with intended purposes

-

1,202,335

Unauthorised expenditure current year - operating

36,107,126

76,771,971

Written off by council

-

-

Unauthorised expenditure awaiting authorisation

314,569,275

271,389,826

Unauthorised expenditure on operating votes is mainly due to provisional (book entries), amounts recognised in terms of GRAP implementation.

Incident

Disciplinary steps/criminal proceedings

Over expenditure on votes 2015/16

Resolution to be investigated

43,179,449

-

Over expenditure on votes 2014/15

Resolution to be investigated

87,309,086

87,309,086

Capital funds used to pay operational costs

Resolution to be investigated

7,860,914

7,860,914

Funding not spent in accordance with intended purposes

Resolution to be investigated

1,202,335

1,202,335

Over expenditure on votes 2013/2014

Resolution to be investigated

59,890,226

59,890,226

Over expenditure on votes 2012/2013- adjusted

Resolution to be investigated

38,983,113

38,983,113

Over expenditure on votes 2011/2012

Resolution to be investigated

3,984,088

3,984,088

Over expenditure on votes 2010/2011

Resolution to be investigated

26,420,092

26,420,092

Over expenditure on votes 2009/2010

Resolution to be investigated

9,181,875

9,181,875

Over expenditure on votes 2008/2009

Resolution to be investigated

36,558,096

36,558,096

314,569,275

271,389,826

42.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance

22,397,128

18,326,915

Fruitless and wasteful expenditure current year

8,240,288

4,070,213

Fruitless and wasteful expenditure identified in the current year but relating to the prior year

-

-

Fruitless and wasteful expenditure awaiting further action

30,637,415

22,397,128

Incident

Disciplinary steps/criminal proceedings

Fruitless and wasteful expenditure identified in the current year but relating to the prior year

None

-

-

Interest and penalties paid on PAYE, Eskom, Telkom, Fastnet, Cape Joint Pension Fund, VAT

None

6,035,357

1,490,928

Additional Interest paid on Long term liabilities due to late payment of instalments

None

69,487

-

Unsuccessful software implementation

None

2,135,444

-

Overpayment of acting allowances

None

-

16,859

Overpayment of bonuses

None

-

25,019

Duplicate payment made

None

-

2,102,653

Overpayment of contract

None

-

5,067

8,240,288

3,640,526

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
42.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	212,355,611	101,778,813
Irregular expenditure identified in the current year but relating to the prior years	-	-
Three quotations not obtained and suppliers not on the approved supplier listing	-	-
TAX clearance certificate not valid	-	-
Tax clearance certificate not valid and not registered on CIDB	-	-
Irregular expenditure current year	1,531,395	110,576,798
Deviations not justifiable	-	49,776,859
Incorrect CIDB Registration/non Registration on CIDB Website	-	-
Three quotations not obtained, no reason for deviation, deviation not approved	155,640	-
No supplier file and suppliers not on the approved supplier listing	-	52,453
No supplier files	-	-
No supplier file and cover quoting identified	-	43,000
No declaration of interest	-	2,353,520
Three quotations not obtained	-	78,049
Three quotations not obtained and suppliers not on the approved supplier listing	-	-
No procurement process followed	287,958	4,203,272
Tax clearance certificate not valid and not registered on CIDB	-	-
TAX clearance certificate not valid	-	-
No original TAX clearance certificates	-	2,120,432
Suppliers not on the municipal Database / prospective supplier listing	124,944	42,000
Deviations not approved	-	-
Awards to employees with interests in suppliers	-	395,544
No minimum thresholds of local content stipulated in advertisement	-	4,548,142
Bids evaluated on 90/10 was not cancelled and re-advertised	-	277,387
Payments made exceed original price	-	85,646
Suppliers failed to declare interests	-	283,441
Payments made after contract expired	-	4,840
No supplier file and suppliers not on the approved supplier listing and cover quoting identified	-	72,500
Bid adjudication and bid evaluation members are the same	-	6,876,336
No contracts available	962,853	9,393,341
Section 32 procurement not done properly	-	1,147,608
Irregular expenditure relating to prior year not investigated	-	28,822,428
Procurement split in parts	-	-
Irregular expenditure awaiting further action	213,887,006	212,355,611
Incident	Disciplinary steps/criminal proceedings	
Brought Forward	212,355,611	101,778,813
Non-compliance with Supply Chain Management Policy	1,531,395	110,576,798
	213,887,006	212,355,611
The full extent of the irregular expenditure could not be quantified due to no proper processes in place for the identification of irregular expenditure.		
42.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	7,834,702	7,557,547
- Prior year correction to kilo litres disinfected/purified/purchased	-	-
- Restated kilo litres disinfected/purified/purchased	7,834,702	7,557,547
- Kilo litres lost during distribution	842,390	833,654
- Prior year correction to kilo litres lost during distribution	-	-
- Restated kilo litres lost during distribution	842,390	833,654
- Restated percentage lost during distribution	10.75%	11.03%
Amount above 10% to disclose as fruitless and wasteful expenditure	364,714	429,687
Restated Amount above 10% to disclose as fruitless and wasteful expenditure	364,714	429,687
Electricity distribution losses		
- Units purchased (Kwh)	159,851,839	158,525,610
- Units lost during distribution (Kwh)	5,308,244	9,465,981
- Percentage lost during distribution	3.32%	5.97%
Amount to disclose as fruitless and wasteful expenditure	-	-
43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
43.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS		
Opening balance	1,474,412	-
Council subscriptions	1,604,913	1,474,412
Amount paid - current year	-	-
Balance unpaid (included in creditors)	3,079,325	1,474,412
43.2 Audit fees - (MFMA 125 (1)(c))		
Opening balance	53,793	53,793
Current year audit fee	1,665,799	4,130,300
External Audit - Auditor-General	1,665,799	4,130,300
Amount paid - current year	(3,690,890)	(4,237,886)
Balance unpaid (included in creditors)	1,971,297	53,793

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
43.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(7,535,523)	4,769,596
Nett movements	2,242,987	(12,305,119)
Closing balance - Receivable	(5,292,536)	(7,535,523)
Vat in suspense due to cash basis of accounting		
Input VAT	7,907,317	5,014,421
Output VAT	(13,199,853)	(12,549,944)
Receivable	(5,292,536)	(7,535,523)
VAT is payable/receivable on the invoice basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
43.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	20,255,874	20,453,695
Amount paid - current year	(20,255,874)	(20,453,695)
Balance unpaid (included in creditors)	-	-
43.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	26,837,490	24,311,059
Amount paid - current year	(26,837,490)	(24,311,059)
Balance unpaid (included in creditors)	-	-
43.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
Councillors with arrear accounts for more than 90 days as at 30 June 2015		
	Outstanding more than 90 days	Outstanding more than 90 days
M Wagenaar	-	16,657
C Ngalo	-	3,797
J le Roux Krowitz	2,469	-
CJ Wagenaar	1,682	1,041
Total Councillor Arrear Consumer Accounts	4,151	21,495



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R		
43.7	<u>Deviations from the procurement processes</u>				
Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes.					
All the deviations were ratified by the Municipal Manager and reported to Council.					
Supplier	Reason	Less than R 30,000	Between R 30,001 and R 200,000	Between R200,001 and R 2,000,000	More than R 2,000,000
A I Exhaust	Roadworthy related repairs	600	-	-	-
Acief Geomatics	Strip, Quote and Repair	9,902	-	-	-
Auto Electro	Roadworthy related repairs	10,693	-	-	-
Autumn Skies Trading	Scope of work exceeded initial quote	-	-	559,386	-
Barney's Repairs	Emergency vehicle , essential service	-	67,100	-	-
Bell Equipment George	Essential service vehicle to be repaired	26,423	-	-	-
Bowles Printers CC	These formats are prescribed by the Provincial Archives and Records Services.	-	46,038	-	-
Cashbuild	Annual tenders for road maintenance not yet evaluated	4,340	-	-	-
Charlson pipes & fittings	Assistance to restore essential service	11,601	-	-	-
Coastal Armature Winders & Suppliers	Opportunity to have electric motors refurbished, due to pond clearance	23,498	-	-	-
CP Nel	Breakdown of municipal vehicles (less operating vehicles)	5,909	-	-	-
Dawson Verkoeling	KKNK service rendered on short notice	14,461	-	-	-
Emtec cc	Sole Supplier / Emergency	-	54,178	-	-
Ferro Engineering	Various essential water services	-	91,800	-	-
FreshAir Environment & G.H Towing	Due to constant upgrading and repairing of council	22,224	-	-	-
	Breakdown of municipal vehicles (less operating vehicles)	1,650	-	-	-
Gearbox & Drift Centre	Breakdown of municipal vehicles (less operating vehicles)	16,537	-	-	-
George Spring Works	Breakdown of municipal vehicles (less operating vehicles)	6,520	-	-	-
H B Barnard t/a Elexpert (Pty) Ltd	Essential for NERSA tariff approval	-	188,784	-	-
Health @ Work	Phase 2	10,080	-	-	-
Honeywell Elster Kent Metering	Account dispute, external party sought	931	-	-	-
HPE Technologies CC	Essential maintenance on municipal service vehicles	-	37,766	-	-
Huber Technology	Essential maintenance on water pumps	18,150	-	-	-
Ian Dickie	Essential items to be used in conjunction with the hydro blast trailer.	14,345	-	-	-
Imvusa Trading 1581 cc	Emergency maintenance	-	33,970	-	-
J & E Communications	Sole Supplier / Emergency	-	74,895	-	-
Kango Boumateriaal	Emergency material not stockpiled due to cash flow	-	106,317	-	-
Kannaland Glas	Annual tenders for road maintenance not yet evaluated	16,080	-	-	-
KMS College	Exceptional circumstances, impractical to follow normal procurement process	-	-	701,271	-
Le Roux Engineering	Emergency, pump breakages	-	60,667	-	-
Magic Moppers, Mowers and Maintenance	Exceptional circumstances, impractical to follow normal procurement process	-	-	-	5,723,810
Metsi Chem Ikapa (Pty) Ltd	Portable water/ Emergency	-	149,019	-	-
Nissan Oudtshoorn	Essential maintenance on municipal service vehicles	16,985	-	-	-
ODN Grassmyer Dienste	Emergency repairs to ensure service delivery	-	34,121	-	-
ODN Sweiswerke	Repairs to emergency repairs to vehicles fulfilling essential services.	-	41,654	-	-
Peninsula Water Treatment & Engineering	Emergency after sample tested positive for E.coli	28,671	-	-	-
Pennypinchers	Emergency due to storms	-	188,242	-	-
Poolstop	Sole Supplier during holidays	27,489	-	-	-
Power Measurement & Rdata	to obtain Nersa tariff approval	5,197	-	-	-
Other	Sole Supplier / Emergency	-	-	214,719	-
Rloroy Plant Hire	Emergency road maintenance	-	108,307	-	-
Ryno Stofleiders	Ongoing cleansing of communal areas	-	-	208,619	-
Short's Nissan	Essential maintenance on municipal service vehicles	2,200	-	-	-
	Exceptional circumstances, impractical to follow normal procurement process	-	53,890	-	-
Smuts Familie Trust	Rental due to unavailability of parts for maintenance	-	-	278,597	-
Southern Cape Compressed Air	Essential maintenance on municipal service equipment	18,197	-	-	-
Specialize Airbrakes	Essential maintenance on municipal service vehicles	-	70,208	-	-
Spilhaus Irrigation	Essential maintenance on municipal service equipment	25,106	-	-	-
Spot - On Matte	Due to storms, sole provider on short notice	1,000	-	-	-
Stanmar Motors	Essential maintenance on municipal service vehicles	26,960	-	-	-
Store it	Sole supplier / Emergency	866	-	-	-
TCE Hydraulics	Essential maintenance on municipal service vehicles	6,354	-	-	-
Top Loos	Tender period lapsed, sole local supplier	-	-	236,800	-
TOSAS (Pty) Ltd	Annual tenders for road maintenance not yet evaluated	-	106,522	-	-
Transform Construction	Emergency , due to constant power failures	13,800	-	-	-
Transmission Gear Services Cape	Exceptional circumstances, impractical to follow normal procurement process	-	52,272	-	-
Trekker & Diesel	Repairs to emergency repairs to vehicles fulfilling essential services	23,234	-	-	-
Trentyre	Repairs to emergency repairs to vehicles fulfilling essential services.	4,725	-	-	-
Tyre Rama	Repairs to emergency repairs to vehicles fulfilling essential services.	8,400	-	-	-
Tyres & Treads	Tyre repairs and replacements were done to ensure that ongoing service delivery functions are met.	-	110,637	-	-
Ubertech	Repairs to emergency repairs to vehicles fulfilling essential services	1,482	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R		
43.7	<u>Deviations from the procurement processes (continued)</u>				
Supplier	Reason	Less than R 30,000	Between R 30,001 R 200,000	Between R200001 and R 2,000,000	More than R 2,000,000
Ubuntu Security	Emergency, due to robbery	7,873	-	-	-
Valsta's Specialist Cleaning	Storm Water infrastructure maintenance. Essential service	-	66 800	-	-
Van Antwerp Sweiswerke	Goods provided by supplier historically so related maintenance to be done by same supplier due to nature of product	1,540	-	-	-
Van der Berg Vervoer	Annual tenders for road maintenance not yet evaluated	-	74,624	-	-
Volmoed Quarries cc	Annual tenders for road maintenance not yet evaluated	8,208	-	-	-
		<u>442,232</u>	<u>1,817,811</u>	<u>2,199,391</u>	<u>5,723,810</u>

43.8 **Awards made to family members in service of the state (SCM req 45)**

Item description	Relationship		
Imvusa Trading 1581(8/21/63(10))	The shareholders family member is in the service of Oudtshoorn	4,569,156	8,427,796
BDE Consulting Engineers	Family member is in service of the state	192,948	111,964
Landis + GYR	Unclear relationship, but family member in service of the state.	23,940	-
Volmoed Quarries	Family member is in service of Oudtshoorn Municipality	183,893	-
Buffelsdrift Clay Mine	The suppliers family member is a Councillor at the Municipality	12,926	-
Lloyd Hans Trading	Supplier's spouse is in service of the state	305	5,795
W.W.W.M. Construction and Civil	The shareholder was a temporary employee in the service of	-	13,679
African Pillars Development	Family member is in service of Oudtshoorn Municipality's Council	119,500	-
Spring Forest Trading 184 cc	Mother in law is in service of Oudtshoorn Municipality	569	6,277
Vukani Builders	Father of a regional councillor	232,253	-
Hi- Tech Auto Engineering	Shareholder is child of a councillor	127,922	-
		<u>5,463,413</u>	<u>8,565,511</u>

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CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Total commitments consist out of the following:

- Blossoms Pipeline borehole	-	-
- Supply and delivery of Dell Poweredge R90 Server	-	-
- Assistance with the Financial Statements and Asset Register for 3 years	1,600,000	2,400,000
- Bulk electrical supply to Rose Valley and surrounding areas	1,163,450	1,921,742
- Highmast flood light installations at Oudtshoorn, Dysselsdorp and Blomnek at De Rust	-	-
- Construction of a Taxi Rank in Dysselsdorp	-	-
- Fleet management for vehicles	-	-
- DAGEOS 3 year Drilling Contract: Drilling of Exploration, Monitoring and Production Boreholes: Blossoms and Mistkraal	4,906,737	13,453,439
- Wellfield and Blossoms Pipeline Borehole	-	-
- Bongoletu Sportfield Lighting, Oudtshoorn	-	24,609
- Upgrading the Irrigation system for the Blomnek sportsfield in De Rust	377,292	1,352,008
- Upgrading of the irrigation system for the Dysselsdorp Sport Field	197,296	2,558,689
- Highmast flood light installations at Oudtshoorn, Dysselsdorp and Blomnek at De Rust	-	555,426
- Upgrading of De Jager Athletic Track	-	1,082,473
- Bongoletu / Blomnek / Dysselsdorp: Upgrade Stormwater System	8,172	-
- Rehabilitate Waste Water Plant: Biological Nutrient Reactor	1,917,559	-
- New Boreholes: Varkieskloof and Vermaaksvier	970,000	-
- Energy Efficiency Demand Side Management Grant	5,148,000	-
- Rehabilitate Roads and Stormwater	499,362	-
- Dysselsdorp Sport Field: Irrigation pumping main	-	2,536,793

This expenditure will be financed from:

External Loans	-	-
Own Funding	1,600,000	2,400,000
Government Grants	15,187,869	23,485,179
	<u>16,787,869</u>	<u>25,885,179</u>

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FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2013 - 0.5%) Increase in interest rates	(1,794,091)	(496,988)
0.5% (2013 - 1%) Decrease in interest rates	897,046	248,494

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
Non-Exchange Receivables				
Rates	34.28%	9,296,088	44.66%	7,608,295
Other	65.72%	17,821,480	55.34%	9,427,593
	100.00%	27,117,568	100.00%	17,035,888
Exchange Receivables				
Electricity	8.28%	5,044,683	9.97%	5,498,422
Water	49.31%	30,032,504	55.56%	30,647,323
Refuse	15.31%	9,325,332	13.17%	7,264,121
Sewerage	15.99%	9,737,079	13.48%	7,434,422
Other	11.11%	6,765,761	7.83%	4,320,187
	100.00%	60,905,359	100.00%	55,164,475

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
Government	1.02%	898,471	0.28%	203,489
Business	2.55%	2,241,211	3.91%	2,825,087
Residential	66.42%	58,463,786	55.84%	40,316,030
Indigents	7.49%	6,589,994	23.66%	17,081,691
Other	22.53%	19,829,466	16.31%	11,774,068
	100.00%	88,022,927	100.00%	72,200,365

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	30,157,462	60,556,686
Receivables from non-exchange transactions	11,207,066	14,848,711
Cash and Cash Equivalents	19,764,200	504,588
Unpaid conditional grants and subsidies	4,980,558	4,105,182
	<u>66,109,286</u>	<u>80,015,167</u>

The municipality issued some guarantees in favour of trade creditors. Refer note 22

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2016				
Long Term liabilities	22,650,946	58,713,855	22,113,452	257,556
Capital repayments	12,756,621	40,578,287	18,921,970	216,819
Interest	9,894,325	18,135,568	3,191,482	40,737
Trade and Other Payables	115,730,825	-	-	-
Unspent conditional government grants and receipts	15,628,411	-	-	-
	<u>154,010,182</u>	<u>58,713,855</u>	<u>22,113,452</u>	<u>257,556</u>
2015				
Long Term liabilities	28,604,920	61,616,378	34,890,245	1,308,228
Capital repayments	15,819,016	39,028,244	28,997,141	1,144,793
Interest	12,785,903	22,588,134	5,893,104	163,435
Trade and Other Payables	49,648,439	-	-	-
Unspent conditional government grants and receipts	8,185,171	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>86,438,530</u>	<u>61,616,378</u>	<u>34,890,245</u>	<u>1,308,228</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
46	FINANCIAL INSTRUMENTS		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
46.1	Financial Assets		
	Classification		
	Investments		
	Receivables		
	Receivables from exchange transactions	30,157,462	64,568,583
	Short-term Investment Deposits		
	Call Deposits	16,217,267	88,342
	Bank Balances and Cash		
	Bank Balances	3,371,378	-
	Cash Floats and Advances	55,390	54,214
		49,801,497	64,711,139
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	49,801,497	64,711,139
	At amortised cost	49,801,497	64,711,139
46.2	Financial Liability		
	Classification		
	Long-term Liabilities		
	Annuity Loans	59,717,075	69,132,726
	Capitalised Lease Liability	74,171	199,600
	Payables from exchange transactions		
	Trade and other	113,068,738	48,766,874
	Deposits	2,364,580	2,367,674
	Current Portion of Long-term Liabilities		
	Annuity Loans	12,756,621	15,819,016
	Capitalised Lease Liability	125,429	708,510
		188,106,614	136,894,400
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	188,106,614	136,894,400
47	EVENTS AFTER THE REPORTING DATE		
	The following events took place after the reporting date.		
47.1	Administration		
	Provincial intervention in terms of Section 139(1)(b) of the Constitution took place on 30 July 2015 and as a result Mr Karmalassen Chetty was appointed as Administrator. The intervention is still in effect.		
47.2	Appointment of Council		
	Municipal elections were held on 3 August 2016 and as such a new council will be appointed. The mayoral committee and members of council will be appointed on 16 August 2016.		
47.3	Going concern		
	Management acknowledges that the Municipality is currently at risk that it might not remain a going concern. Steps have however been taken after the reporting date to ensure that this improves.		
	A Cash Flow Management Committee have been introduced to monitor cash flow and approve payments.		
	Management are enforcing strict financial strategies aimed at improving accountability, cash management control, reducing unnecessary expenditure and ensuring more responsibility is performed by the departmental managers.		
	Management submitted a business plan to Provincial Treasury requesting funding to assist with a revenue enhancement strategy.		
	Since the intervention in terms of section 139 of the Constitution took place the Administrator is reviewing and implemented strict expenditure control with the establishment of an Expenditure Control Committee and review of the SCM process.		
48	IN-KIND DONATIONS AND ASSISTANCE		
	The Municipality did not receive any in-kind donations and assistance during the year.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
49	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year		
50	CONTINGENT LIABILITY		
50.1	Litigation Nurcha Finance Co (Pty) Ltd		
	Several matters of which the detail have been identified with Adv LJ Joubert. These matters can be seen as contingent liabilities however there are technical legal issues that are still in the process of being resolved by the attorneys. The possible amount payable is +-R2 692 476,43.		
50.2	Vermeulen and others / Mills and Municipality		
	Attorney Mills is claiming costs from the Municipality. The amount is still to be determined on the basis of proof to be provided.		
51	CONTINGENT ASSET		
51.1	Municipality vs P Nel		
	This case emanated from an objection that was made by the then Councillor Mr P Nel. The outcome of the case was that Mr P Nel was sequestered by the High Court. The Municipality has lodged a claim against the estate of Mr P Nel for an amount of R 528 000.		
52	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
52.1	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
52.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.		
52.3	Transactions with councillors other than service fees	Interest Charged	Impairment Expense
			Total
	De Jager, DN Aldl	15,135	(15,135)
	Fortuin, E Cllr	15,135	(15,135)
	Fourie, DJ Cllr	15,135	(15,135)
	Le Roux Krowitz, J Cllr	15,135	(15,135)
	Luiters, P Cllr	15,135	(15,135)
	MacPherson, CD Aldm	15,135	(15,135)
	Magxaka, F Cllr	15,135	(15,135)
	Van der Westhuizen, VI Aldm	15,135	(15,135)
	Van Wyk, B Cllr	15,135	(15,135)
	Wildschut, RR Cllr	15,135	(15,135)
52.4	Outstanding balances owed by / (owing to) councillors	Service fees outstanding	Other fees outstanding
			Total
	Ayford, J Cllr	1,508	-
	Bijohn, S Cllr	252	-
	De Jager, DN Aldl	-	189,010
	Fortuin, E Cllr	-	189,010
	Fourie, DJ Cllr	-	189,010
	Gunguluza, N Cllr	126	-
	Le Roux Krowitz, J Cllr	-	189,010
	Luiters, P Cllr	709	189,010
	MacPherson, CD Aldm	205	189,010
	Magxaka, F Cllr	-	189,010
	Ngalo, EN Cllr	251	-
	Pannas, BA Cllr	131	-
	Stalmeester, L Cllr	445	-
	Van der Westhuizen, VI Aldm	-	189,010
	Van Wyk, B Cllr	989	189,010
	Wagenaar, LPO Cllr	1,336	-
	Wagenaar, M Cllr	12,169	-
	Wildschut, RR Cllr	-	189,010
52.5	Other related party transactions		
52.5.1	Refer to Note 43.8 for detail on related party transactions		

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2015	Correction	Balance at 30 JUNE 2015 Restated	Received during the period	Redeemed/ written off during the period	Balance at 30 JUNE 2016
ANNUITY LOANS									
Standard Bank	12.65%	-	2021/06	16,779,826	-	16,779,826	-	(1,796,792)	14,983,034
Standard Bank	11.70%	-	2021/06	2,992,926	-	2,992,926	-	(1,938,118)	1,054,808
Standard Bank	11.09%	-	2022/12/31	6,255,616	-	6,255,616	-	(275,722)	5,979,894
Standard Bank	11.70%	-	2023/06/20	24,875,152	-	24,875,152	-	(1,840,271)	23,034,881
FNB	11.97%	-	2016/06	7,232,669	-	7,232,669	-	(1,367,506)	5,865,163
Development Bank of SA				26,815,554	-	26,815,554	-	(5,259,637)	21,555,917
Urban Infrastructure Project 10608/1	14.00%	10608/1/01	2017/06	2,688,971	-	2,688,971	-	(1,504,142)	1,184,828
Multiple Infrastructure 101096/1	10.41%	101096/1	2024/06	6,589,083	-	6,589,083	-	(669,435)	5,919,647
Multiple Infrastructure 101096/2	10.16%	101096/2	2019/12	205,645	-	205,645	-	(51,444)	154,201
Multiple Infrastructure 101647/1	7.59%	101647/1	2025/12	2,605,263	-	2,605,263	-	(355,263)	2,250,000
Multiple Infrastructure 101647/2	6.84%	101647/2	2020/06	785,715	-	785,715	-	(214,286)	571,429
Multiple Infrastructure 101647/3	6.88%	101647/3	2015/06	27,960	-	27,960	-	(27,960)	-
Infrastructure 102003/1	6.56%	102003/1	2025/12	6,368,421	-	6,368,421	-	(868,421)	5,500,000
Electricity And Water 102292/1	6.59%	102292/1	2026/06	3,487,489	-	3,487,489	-	(454,890)	3,032,599
Electricity And Water 102292/2	6.59%	102292/2	2016/06	534,183	-	534,183	-	(534,183)	-
Deep Aquifer Hydrogeological 13774	15.67%	13774	2021/06	521,427	-	521,427	-	(79,887)	441,740
Infrastructure 102617/1	6.27%	102617/1	2027/06	2,710,235	-	2,710,235	-	(325,228)	2,385,007
Infrastructure 102617/2	6.45%	102617/2	2017/06	291,162	-	291,162	-	(174,697)	116,464
Total Annuity Loans				84,951,742	-	84,951,742	-	(12,478,046)	72,473,696

LEASE LIABILITY

Chevrolet Aveo CG 7740	7.75%		2016/01	14,872	-	14,872	-	(14,872)	-
Chevrolet Aveo CG 7735	7.75%		2016/01	14,872	-	14,872	-	(14,872)	-
Chevrolet Aveo CG 7730	7.75%		2016/01	14,872	-	14,872	-	(14,872)	-
Chevrolet Aveo CG 7738	7.75%		2016/01	14,872	-	14,872	-	(14,872)	-
Ford Bantam CG 9433	7.75%		2016/01	14,284	-	14,284	-	(14,284)	-
Ford Bantam CG 9445	7.75%		2016/01	10,101	-	10,101	-	(10,101)	-
Ford Bantam CG 9442	7.75%		2016/01	10,525	-	10,525	-	(10,525)	-
Ford Bantam CG 9447	7.75%		2016/01	11,652	-	11,652	-	(11,652)	-
Nissan CG10994	9.00%		2016/01	32,511	-	32,511	-	(32,511)	-
Nissan CG10975	9.00%		2016/01	32,511	-	32,511	-	(32,511)	-
Nissan CG12180	9.00%		2016/02	21,090	-	21,090	-	(21,090)	-
Nissan CG12186	9.00%		2016/02	27,021	-	27,021	-	(27,021)	-
Nissan CG10243	9.00%		2016/01	20,915	-	20,915	-	(20,915)	-
Nissan CG1893	9.00%		2016/01	20,915	-	20,915	-	(20,915)	-
Nissan CG7605	9.00%		2016/01	20,915	-	20,915	-	(20,915)	-
Nissan CG7718	9.00%		2016/01	20,915	-	20,915	-	(20,915)	-
Nissan CG9038	9.00%		2016/01	16,074	-	16,074	-	(16,074)	-
Nissan CG14312	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG14241	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG14280	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG13212	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG14245	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG14285	9.00%		2016/03	21,621	-	21,621	-	(21,621)	-
Nissan CG13157	9.00%		2016/03	19,022	-	19,022	-	(19,022)	-
Nissan CG12199	9.00%		2016/02	21,741	-	21,741	-	(21,741)	-
Nissan CG10230	9.00%		2016/01	19,259	-	19,259	-	(19,259)	-
Nissan CG10239	9.00%		2016/01	19,259	-	19,259	-	(19,259)	-
Panasonic Copier Serial Z6A2B3DC100021	12.01%		2015/11	13,359	-	13,359	-	(13,359)	-
Ford Kuga 2.5 AWD Titanium Auto	11.99%		2015/10	37,767	-	37,767	-	(37,767)	-
Toyota Hilux 2.5 D-4D SRX R/B	11.99%		2018/02	114,083	-	114,083	-	(38,629)	75,454
Colortrac Smart LF SC 36C - Serial number: H2401791	12.01%		2017/06	55,362	-	55,362	-	(27,296)	28,066
XEROX Pro C7120	12.01%		2017/06	15,756	-	15,756	-	(15,756)	-
KONICA MINOLTA C364E SERIAL ASC1041011315	12.01%		2018/02	70,991	-	70,991	-	(24,007)	46,984
KONICA MINOLTA C364E SERIAL ASC1041012889	12.01%		2018/03	72,865	-	72,865	-	(23,769)	49,096
Total Lease Liabilities				908,107	-	908,107	-	(708,507)	199,600

TOTAL EXTERNAL LOANS

85,659,849	-	85,659,849	-	(13,186,553)	72,473,296
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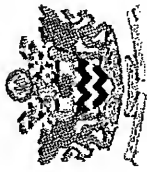


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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX B - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
MUNICIPAL VOTES CLASSIFICATION

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
265,594	(4,736,563)	(4,470,969)	Office of the Municipal Manager	1,466	(185,359)	(183,893)
-	(13,457,762)	(13,457,762)	Office of the Exec Mayor & Committee	-	(12,216,713)	(12,216,713)
-	(2,795,228)	(2,795,228)	Manager Corporate	-	(2,300,495)	(2,300,495)
170,274,210	(48,695,163)	121,579,047	Council General	149,634,827	(59,298,069)	90,336,758
-	(712,960)	(712,960)	Office of the Deputy Mayor	-	(90,779)	(90,779)
-	(410,270)	(410,270)	Office of the Speaker	-	(522,430)	(522,430)
-	(3,680)	(3,680)	Strategic Portfolio Committee	-	(1,025)	(1,025)
-	(23,909)	(23,909)	Finance Portfolio Committee	-	-	-
-	(9,450)	(9,450)	Corporate Portfolio Committee	-	-	-
-	(8,879)	(8,879)	Community Service Portfolio Committee	-	-	-
-	(2,187,355)	(2,187,355)	Technical Service Portfolio Committee	-	(2,660,560)	(2,660,560)
-	(27,056,957)	(27,056,957)	Legal services	-	(4,382,494)	(4,382,494)
-	(2,261,231)	(2,261,231)	Admin Finance	-	(4,135,577)	(4,135,577)
-	(11,124,661)	(11,124,661)	Finance Income	-	(11,221,816)	(11,221,816)
-	(3,396,774)	(3,396,774)	Finance Expenditure	-	(3,302,124)	(3,302,124)
-	(9,078,652)	(9,078,652)	Finance Accounting Services	-	(7,285,666)	(7,285,666)
-	(105,234)	(105,234)	Supply Chain Management	-	(276,787)	(276,787)
-	(9,180,266)	(9,180,266)	Administration	-	(8,704,369)	(8,704,369)
-	(5,980,104)	(5,980,104)	Human Resources	-	(9,114,304)	(9,114,304)
-	(2,339,569)	(2,339,569)	Computer Data / IT	-	(1,972,446)	(1,972,446)
-	(1,490,090)	(1,490,090)	Internal Audit	-	(1,997,515)	(1,997,515)
-	(13,229,397)	(13,229,397)	Corporate Wide Strategic Planning	-	(9,213,028)	(9,213,028)
-	(5,209,984)	(5,209,984)	Town Planning	-	(6,672,165)	(6,672,165)
10,976,233	(15,910,061)	(4,933,829)	Traffic & Licensing	15,358,375	(14,437,640)	920,735
-	(3,257,544)	(3,257,544)	Fire Fighting	-	(6,298,725)	(6,298,725)
-	(13,471,561)	(13,471,561)	Manager Community Services	-	(7,240,969)	(7,240,969)
-	(3,931,632)	(3,931,632)	Bridgton Community Hall	-	(5,635,914)	(5,635,914)
-	(5,387,246)	(5,387,246)	Admin Library Services	-	(5,311,138)	(5,311,138)
-	(2,355,836)	(2,355,836)	Cemetery & Crematoriums	-	(1,950,194)	(1,950,194)
1,612,891	(1,893,529)	(280,638)	Cango Mountain Resort	1,460,444	(2,179,329)	(718,885)
2,717	-	2,717	Cango Mountain Resort Restuarant	1,447	-	1,447
448,146	(179,488)	268,657	Bridgton Resort	359,159	(90,178)	268,981
-	(535,847)	(535,847)	Arbeidsgeot	-	(1,727)	(1,727)
-	(9,141,974)	(9,141,974)	Parks & Gardens	-	(7,030,933)	(7,030,933)
-	(2,938,072)	(2,938,072)	De Jager Sportcomplex	-	(2,651,219)	(2,651,219)
-	(151,852)	(151,852)	Sport & Recreation (Brid/De Rust and Bongl)	-	(132,654)	(132,654)
-	(2,258,814)	(2,258,814)	Swimming Pools	-	(1,222,030)	(1,222,030)
-	(34,018,029)	(34,018,029)	Housing	-	(9,359,981)	(9,359,981)
-	(1,645,991)	(1,645,991)	Bulk Waste	-	(2,530,432)	(2,530,432)
14,972,246	23,711,627	38,683,873	Refuse Removal	19,238,003	(15,296,771)	3,941,232
-	(50,230)	(50,230)	Sanitation	-	(55,530)	(55,530)
-	(13,763,015)	(13,763,015)	Street Cleansing	-	(13,727,948)	(13,727,948)
-	(75,720)	(75,720)	Main Roads	-	(84,211)	(84,211)
-	(10,485,583)	(10,485,583)	Admin Streets	-	(8,995,562)	(8,995,562)
-	(33,101,995)	(33,101,995)	Roads and Stormwater	-	(15,565,508)	(15,565,508)
-	(2,401,676)	(2,401,676)	Job Creation	-	(1,599,697)	(1,599,697)
-	(50,167)	(50,167)	Stormwater	-	(61,530)	(61,530)
-	(1,731,063)	(1,731,063)	Admin Sewerage	-	(1,723,296)	(1,723,296)
25,554,040	(4,577,969)	20,976,071	Sewerage Purification	30,590,841	(13,413,101)	17,177,740
556,547	(5,874,142)	(5,317,595)	Sewerage Network	508,673	(6,283,286)	(5,774,613)
870,555	(339,704)	530,851	Dysseldorp Sewerage	1,143,380	(68,234)	1,075,147
53,033,072	(4,454,320)	48,578,752	Water Storage	55,150,439	(18,401,237)	36,749,202
-	(14,789,843)	(14,789,843)	Water Distribution	-	(16,873,108)	(16,873,108)
(2,930)	(291,142)	(294,072)	Dysseldorp Water	-	(75,417)	(75,417)
-	(1,130,431)	(1,130,431)	Manager Infrastructure	-	(587,893)	(587,893)
169,353,719	(5,184,159)	164,169,561	Admin Electricity	187,234,691	(4,282,221)	182,952,470
-	(132,720,819)	(132,720,819)	Electricity Distribution	-	(156,382,049)	(156,382,049)
8,689,259	(108,625)	8,580,633	Dysseldorp Electricity	9,469,286	(73,547)	9,395,739
-	(12,323)	(12,323)	Airport	-	(3,510)	(3,510)
-	(3,832,031)	(3,832,031)	Workshop/ Fleet	-	(3,379,504)	(3,379,504)
5,936,896	(10,206,437)	(4,269,541)	Klein Karoo Water Scheme	5,014,473	(11,501,929)	(6,487,456)
12,462,052	(11,582,076)	879,976	Cango Caves	12,507,245	(9,736,115)	2,771,130
475,005,247	(493,623,459)	(18,618,212)	Total	487,672,749	(509,797,985)	(22,125,236)



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX C - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
170,539,804	(97,302,947)	73,236,857	Executive & Council	149,636,292	(79,354,179)	70,282,114
-	(27,456,642)	(27,456,642)	Budget & Treasury	-	(28,219,484)	(28,219,484)
-	(20,295,167)	(20,295,167)	Corporate Services	-	(22,091,614)	(22,091,614)
-	(18,439,381)	(18,439,381)	Planning & Development	-	(15,888,443)	(15,888,443)
-	(25,146,275)	(25,146,275)	Community & Social Services	-	(20,138,215)	(20,138,215)
-	(34,018,029)	(34,018,029)	Housing	-	(9,359,981)	(9,359,981)
10,976,233	(19,167,605)	(8,191,372)	Public Safety	15,358,375	(20,736,365)	(5,377,990)
2,063,754	(17,099,578)	(15,035,823)	Sport & Recreation	1,821,050	(13,308,069)	(11,487,019)
14,972,246	8,252,391	23,224,637	Waste Management	19,238,003	(31,610,680)	(12,372,677)
26,981,142	(12,573,045)	14,408,097	Waste Water Management	32,242,894	(21,549,446)	10,693,448
-	(46,064,973)	(46,064,973)	Road Transport	-	(26,244,977)	(26,244,977)
58,967,038	(29,741,742)	29,225,296	Water	60,164,912	(46,851,692)	13,313,221
178,042,978	(139,144,034)	38,898,944	Electricity	196,703,977	(161,325,710)	35,378,267
12,462,052	(15,426,431)	(2,964,379)	Other	12,507,245	(13,119,129)	(611,884)
475,005,247	(493,623,459)	(18,618,212)	Total	487,672,749	(509,797,985)	(22,125,236)

APPENDIX D - Unaudited
 DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2015			Restated Balance 1 JULY 2015			Grants Received			Operating Expenditure during the year Transferred to Revenue			Capital Expenditure during the year Transferred to Revenue			Balance 30 JUNE 2016		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS																		
National Government Grants																		
Equitable Share	810,528	-	-	-	-	(810,528)	-	-	53,117,000	-	-	53,117,000	-	-	-	-	-	-
Department of Water Affairs	831,706	-	-	-	831,706	-	-	10,991,098	-	-	-	-	-	-	-	-	(4,584,999)	-
Regional Bulk Infrastructure Grant - Department of Water Affairs and Forestry	-	-	-	-	-	-	-	1,450,000	-	-	-	-	-	-	-	-	100,000	-
Local Government Financial Management Grant	(739,571)	-	-	-	(4,105,182)	(3,365,611)	-	6,000,000	-	-	-	-	-	-	-	-	1,136,526	-
DME Electrification New Housing Project	-	-	-	-	-	-	-	930,000	-	-	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant	-	-	-	-	-	-	-	24,138,000	-	-	-	-	-	-	-	-	5,061,927	-
Municipal Infrastructure Grant	444,949	-	-	-	219,820	(444,949)	-	318,597	-	-	-	-	-	-	-	-	538,417	-
Seta	219,820	-	-	-	-	-	-	1,405,000	-	-	-	-	-	-	-	-	-	-
Extended Public Works Program	(16,262)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure Van Wykskraal	-	-	-	-	-	-	-	3,000,000	-	-	-	-	-	-	-	-	880,720	-
Electricity Demand Side Management Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total National Government Grants	1,551,170	(4,604,826)	(3,053,656)	(3,053,656)	48,535	23,607	(1,022,584)	107,349,685	56,802,000	38,371,448	3,122,581	67,533	(314,536)	28,681	144,000	16,417,803	1,136,526	5,061,927
Provincial Government Grants																		
CDW operational support grant	48,535	-	-	-	48,535	-	-	72,000	-	-	-	-	-	-	-	-	-	-
Library Services	(23,607)	-	-	-	-	-	-	4,222,000	-	-	-	-	-	-	-	-	-	-
Integrating Housing Settlement Grant	3,809,526	-	-	-	3,809,526	-	-	-	-	-	-	-	-	-	-	-	-	-
ABS Programme	1,022,684	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Consumer Education	28,681	-	-	-	28,681	-	-	-	-	-	-	-	-	-	-	-	-	-
Provincial Sport Grant	144,000	-	-	-	144,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Transport Facilities	16,137	-	-	-	16,137	-	-	-	-	-	-	-	-	-	-	-	-	-
Military Sport Academy	87,934	-	-	-	87,934	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Management Support Grant	325,000	-	-	-	325,000	-	-	3,210,680	-	-	-	-	-	-	-	-	-	-
Municipal Finance Improvement Grant	(1,663,440)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance Main Road Subsidy	33,830	-	-	-	33,830	-	-	96,000	-	-	-	-	-	-	-	-	-	-
Cleaning of Maturation Ponds	200,000	-	-	-	200,000	-	-	33,830	-	-	-	-	-	-	-	-	-	-
Performance Management Grant	-	-	-	-	-	-	-	500,000	-	-	-	-	-	-	-	-	-	-
Municipal Infrastructure and Building Repair Grant	-	-	-	-	-	-	-	321,861	-	-	-	-	-	-	-	-	-	-
Water Supply and Drought relief grant	-	-	-	-	-	-	-	500,000	-	-	-	-	-	-	-	-	-	-
Augmentation of Water Supply Grant	-	-	-	-	-	-	-	970,000	-	-	-	-	-	-	-	-	-	-
Supply for Drought Relief Interventions	-	-	-	-	-	-	-	1,900,000	-	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Support Grant	-	-	-	-	-	-	-	2,000,000	-	-	-	-	-	-	-	-	-	-
Chiefta Grant	-	-	-	-	-	-	-	1,000,000	-	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	4,029,280	664,363	4,693,643	4,693,643	33,830	1,663,440	96,000	14,669,260	10,928,579	1,000,000	76,466	200,000	178,139	341,188	970,000	1,900,000	2,000,000	76,466
District Municipality Grants																		
Upgrading of Rural Sport Grounds	137,744	-	-	-	137,744	-	-	-	-	-	-	-	-	-	-	-	-	-
LED Strategy	10,114	-	-	-	10,114	-	-	-	-	-	-	-	-	-	-	-	-	-
Recovery Plan	13,983	-	-	-	13,983	-	-	-	-	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	161,841	-	-	-	161,841	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5,742,291	(3,940,463)	1,801,828	1,801,828	83,370	1,663,440	96,000	116,018,975	67,730,579	39,371,448	10,718,776	137,744	178,139	341,188	970,000	1,900,000	2,000,000	76,466
Public Grants																		
Community Survey Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Grant Providers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,742,291	(3,940,463)	1,801,828	1,801,828	83,370	1,663,440	96,000	116,018,975	67,730,579	39,371,448	10,718,776	137,744	178,139	341,188	970,000	1,900,000	2,000,000	76,466

**OUTDSHOORN**

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"A town to work, learn, play and prosper"

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

APPENDIX F - Unaudited
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: CANGO CAVES
FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
REVENUE		
Revenue from Non-exchange Transactions	-	103,626
Other Revenue	-	103,626
Actuarial Gains	-	103,626
 Revenue from Exchange Transactions	 12,507,245	 12,358,426
Admission Fees	11,864,131	11,522,983
Rental of Facilities and Equipment	631,832	634,813
Interest Earned - external investments	5,130	189,914
Other Income	6,152	10,716
 Total Revenue	 12,507,245	 12,462,052
 EXPENDITURE		
Employee related costs	7,498,053	7,665,646
Depreciation and Amortisation	792,642	859,040
Assets written-off	21,387	21,787
Repairs and Maintenance	232,831	318,380
Actuarial losses	-	29,541
Contracted services	470,908	552,343
General Expenses	720,292	2,135,340
 Total Expenditure	 9,736,115	 11,582,077
 NET SURPLUS/(DEFICIT) FOR THE YEAR	 2,771,130	 879,975

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

APPENDIX G - Unaudited
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16					2014/15					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	9	10	11	12
Financial Performance											
Property rates	66 621	(5 909)	60 712	62 589		1 878	103.1%				57 595
Service charges	288 244	(9 384)	288 860	269 393		(19 467)	93.3%				250 228
Investment revenue	708	(94)	615	1 018		403	165.6%				665
Transfers recognised - operational	115 869	(45 148)	70 721	67 802		(2 919)	95.9%				86 348
Other own revenue	41 762	1 048	42 810	47 243		4 433	110.4%				72 057
Total Revenue (excluding capital transfers and contributions)	523 204	(59 487)	463 717	448 045		(15 672)	96.6%				466 893
Employee costs	161 156	26 777	187 933	185 090		(2 843)	98.5%	14 399		(14 399)	177 636
Remuneration of councillors	9 024	(3 766)	5 258	6 742	1 484	1 484	128.2%	26		(26)	8 783
Debt impairment	3 025	26 062	29 087	50 945	27 916	21 859	175.2%				11 624
Depreciation & asset impairment	20 716	1 092	21 808	19 265		(2 543)	88.3%				19 360
Finance charges	7 771	8 230	16 002	16 980	979	979	106.1%	8 151		(8 151)	11 791
Materials and bulk purchases	138 994	15 600	154 594	146 024		(8 570)	94.5%	14 629		(14 629)	122 065
Transfers and grants	1 300	(1 300)									
Other expenditure	175 886	(74 254)	101 632	84 751		(16 880)	83.4%	40 250		(40 250)	172 602
Total expenditure	517 872	(1 559)	516 313	509 798	30 379	(6 515)	98.7%	77 455		(77 455)	523 862
Surplus/(Deficit)	5 332	(57 928)	(52 596)	(61 753)		(9 157)	117.4%				(56 970)
Transfers recognised - capital	47 138	(1 930)	45 208	39 371		(5 837)	87.1%				38 274
Contributions recognised - capital & contributed assets				256		256					78
Surplus/(Deficit) after capital transfers & contributions	52 470	(59 858)	(7 388)	(22 125)		(14 737)	299.5%				(18 618)
Share of surplus/ (deficit) of associate											
Surplus/(Deficit) for the year	52 470	(59 858)	(7 388)	(22 125)		(14 737)	299.5%				(18 618)
Capital expenditure & funds sources											
Capital expenditure											
Transfers recognised - capital	47 138	(2 750)	44 388	37 100		(7 288)	83.6%				36 826
Public contributions & donations				256		256	100%				1 036
Borrowing				745		(41)					387
Total sources of capital funds	13 790	(13 004)	786	38 102		(7 072)	84.3%				38 249
Cash flows											
Net cash from (used) operating	60 348	(76 904)	(16 556)	116 549		133 105	-704.0%				(13 882)
Net cash from (used) investing	(48 128)	37 372	(10 756)	(36 594)		(25 838)	340.2%				(31 805)
Net cash from (used) financing	(10 895)	(34 279)	(45 174)	(12 671)		32 503	28.0%				(14 655)
Cash/cash equivalents at the year end	1 325	(73 811)	(72 486)	67 284		139 770	-92.8%				(47 520)